



Integrated annual report

FOR THE YEAR ENDED 30 JUNE 2011



Our legals



Name:	AfroCentric Investment Corporation Limited
JSE Code:	ACT
Registration number:	1988/000570/06
ISIN:	ZAE 0000 78416
Registered office:	10 Muswell Road South, Bryanston, 2191
Postal address:	Private Bag X34, Benmore, 2010
Contact person:	Dr Jon Rothbart, Chief Operating Officer
Email:	info@afrocentric.za.com
Telephone:	+27873106744
Sponsor:	Sasfin Capital (A division of Sasfin Bank Limited)

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Stakeholder index

We recognise that our stakeholders may wish to focus directly on issues important to them, and so we have made reference to important material in this report which may be of particular interest to the following stakeholder groups

Medical scheme members	9 – 25
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Our employees	15 – 22
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All stakeholders	
Promoting a healthy South Africa	9 – 14, 21
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Chairperson's report

Profit-powered upliftment

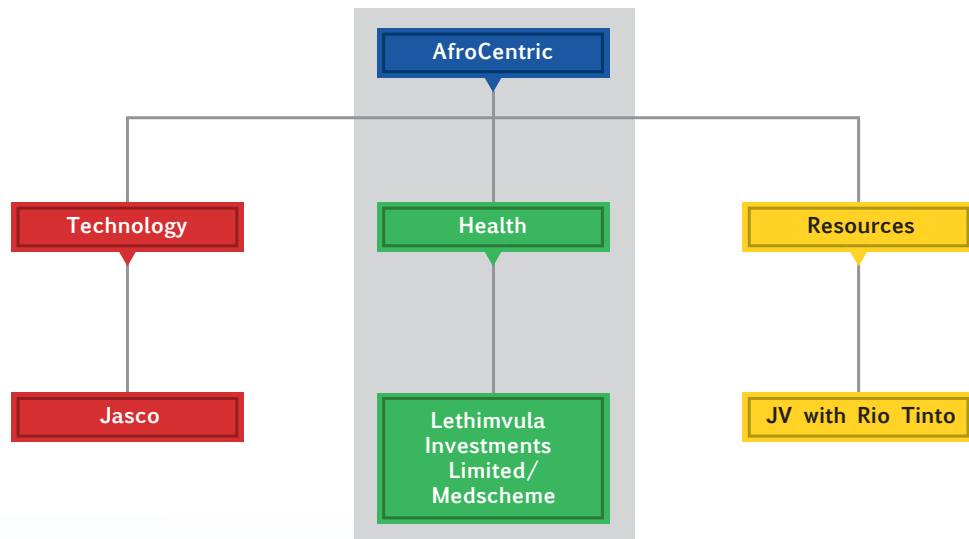


Fulfilling our dual mission - profitability with economic transformation

South African business has entered into a new era of transparency through the introduction of integrated reporting and AfroCentric Investment Corporation Limited ("AfroCentric") is proud to present its first integrated report to stakeholders for the financial year ended 30 June 2011.

AfroCentric was created to fulfil the responsibility that business has to enhance the participation of a broader base of historically disadvantaged South Africans in our economy, and our five-year track record has met our expectations. In addition, AfroCentric has invested in businesses that not only have good prospects for growth, but also contribute to the well-being of South African society in a significant and sustainable way.

The economic activities of the AfroCentric Group fall into three distinct categories:



This report reviews the activities of the holding company, AfroCentric Investment Corporation Limited and its majority owned subsidiary, Lethimvula Investments Limited, which falls within the AfroCentric Health division.

Details of our associates and joint venture partners, Jasco and Rio Tinto respectively, may be accessed directly by the reader through their websites at:

■ www.jasco.co.za

■ www.riotinto.com

Furthering the economic participation of historically disadvantaged South Africans

The AfroCentric Empowerment Trust ("ACET") was created at the time of the initial rights offer on 24 July 2006. The promoters of AfroCentric renounced their subscription rights in favour of ACET, so that ACET might acquire 51% of the ordinary share capital of AfroCentric.

The beneficiaries of ACET include the South African Council of Churches and the Fort Hare Foundation, both worthy organisations which represent not only a broad base of historically disadvantaged South Africans but also organisations critical to the struggle for democracy.

AfroCentric has also continued to enhance shareholding by Historically Disadvantaged South Africans (“HDSAs”). In 2006, HDSAs held just over 50% of the ordinary shares. Through our various transactions since, HDSAs have come to own over 68% of AfroCentric. Our largest HDSA investors in AfroCentric are our major shareholders, Community Investment Holdings, the ACET and Golden Pond, a representation of more than 3 000 HDSA medical professionals who are members of the South African Medical and Dental Practitioners association.

Profit-powered upliftment

The central tenet of AfroCentric’s Board Investment Committee is the enhancement of earnings per share through each action and transaction. This strict commercial philosophy has enabled the economic development impact described above. AfroCentric’s headline earnings per share, the measure of sustainable earnings, have increased by in excess of 63% (compounded, per annum) between 2008 and 2011.

What to expect in 2012

The investments in portfolio companies continue to satisfy the Group’s organic growth base. 2011 was the first year during which Lethimvula’s earnings contributed towards the warranties and the performance has been encouraging.

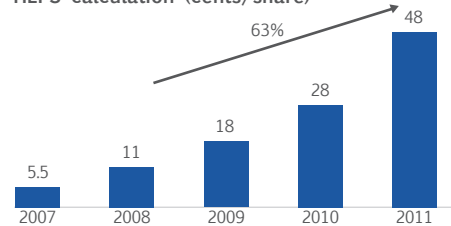
Jasco’s acquisition of, and integration with Spescom, its fresh leadership and the restructuring of the organisation for growth are also excellent indications of a promising year ahead.

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.

Welcome and appreciation

The Board welcomes Mrs Yasmin Masithela and Mr Garth Napier to our family as independent non-executive directors. The newest and youngest members of our Board have both excelled in their respective fields and we are excited to be in a position to achieve successes and overcome challenges alongside them.

HEPS calculation (cents/share)



Our sincere thanks go to our hardworking, innovative and enthusiastic executives at AfroCentric as well as at our subsidiaries and associates. Our business is about great people, and their diligence and creativity has seen us through difficult economic times.

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

Signed by **Brigalia Bam**
Chairman



Board of directors

Empowerment transformation through leadership



In 2006, the founders joined forces to create a unique entity to further the participation of historically disadvantaged South Africans in the economy, personally investing and sharing their wealth of accumulated business insight, knowledge and expertise. The Board has evolved over time, but AfroCentric is privileged to have on its Board:



*Mr Michael (Motty)
I Sacks*

Co-founder

- Co-founder of Netcare and former Chairman of Netcare



Mr J Meyer Kahn

Founder

- Chairman of SAB Miller plc



Mr Brian Joffe

Founder

- Founder and CEO of BidVest



Dr N Brigalia Bam

Chair

- Chairperson Independent Electoral Commission
- General Secretary of the SA Council of Churches



Dr Anna T Mokoeng

Major shareholder

- Executive Chairperson and co-founder of Community Investment Holdings (Pty) Limited



Mr M Joe Madungandaba

Major shareholder

- Chief Executive Officer and co-founder of Community Investment Holdings (Pty) Limited



Mr Wallace Holmes

Executive Director

- CFO and Director of Lethimvula Investments Limited
- CFO and Director of AfroCentric Health Holdings (Pty) Limited



Mr Garth Napier

Independent

- Marketing and Business Strategy Executive, Edcon
- Formerly at McKinsey & Company



Ms Yasmin Masithela

Independent

- Founding Partner of Phukubje Pierce Masithela Attorneys
- Non-Executive Director of Eskom Holdings Limited

Financial overview

Consolidated statements of financial position

as at 30 June 2011

	Group 30 June 2011 R'000	Group 30 June 2010 R'000	Company 30 June 2011 R'000	Company 30 June 2010 R'000
ASSETS				
Non-current assets	951 923	958 794	142 850	150 634
Property, plant and equipment	101 083	125 311	-	-
Investment property	10 100	8 543	-	-
Intangible assets	609 552	576 438	-	-
Unlisted investment	280	280	280	280
Investments in associates	63 859	69 788	40 088	50 354
Investments in subsidiaries	-	-	-	-
Investment in preference shares	100 000	100 000	100 000	100 000
Deferred income tax assets	67 049	78 434	2 482	-
Current assets	291 064	216 871	463 822	427 588
Trade and other receivables	93 010	80 123	773	-
Loans to Group companies	-	-	452 777	417 200
Receivables from associates and joint venture	18 039	14 224	-	-
Cash and cash equivalents	180 015	122 524	10 272	10 388
Total assets	1 242 987	1 175 665	606 672	578 222
EQUITY AND LIABILITIES				
Capital and reserves	726 850	620 286	563 115	560 969
Issued ordinary share capital	2 659	2 624	2 659	2 624
Issued preference share capital	166	166	166	166
Share premium	369 235	386 650	369 235	386 650
Contingent shares to be issued	188 540	188 540	188 540	188 540
Foreign currency translation reserve	241	-	-	-
Treasury shares	(1 162)	(610)	-	-
Retained earnings/(accumulated loss)	167 171	42 916	2 515	(17 011)
Non-controlling interest	20 786	21 777	-	-
Total equity	747 636	642 063	563 115	560 969
Non-current liabilities	304 129	306 575	-	-
Deferred income tax liabilities	37 273	42 443	-	-
Borrowings	200 000	162 072	-	-
Provisions	41 600	66 067	-	-
Post-employment medical obligations	3 821	3 866	-	-
Accrual for straight-lining of leases	21 435	32 127	-	-
Current liabilities	191 222	227 027	43 557	17 253
Loans from Group companies	-	-	35 480	8 812
Provisions	20 378	18 347	-	-
Trade and other payables	76 334	108 546	773	129
Current income taxation liability	8 495	3 224	-	325
Bank overdraft	7 304	7 987	7 304	7 987
Employment benefit provisions	78 711	88 923	-	-
Total liabilities	495 351	533 602	43 557	17 253
Total equity and liabilities	1 242 987	1 175 665	606 672	578 222

These financial statements were prepared by WRC Holmes CA(SA), CFO of AfroCentric Investment Corporation Limited

Financial overview

Consolidated statements of comprehensive income

for the year ended 30 June 2011

	Group 30 June 2011 R'000	Group 30 June 2010 R'000	Company 30 June 2011 R'000	Company 30 June 2010 R'000
Continuing operations				
Gross revenue	1 351 254	1 263 414	-	-
Other income	31 978	23 425	25 142	7 485
Administrative expenses	(1 128 141)	(1 090 786)	(4 401)	(3 428)
Net finance (costs)/income	1 478	(2 350)	6 245	8 129
- Finance income	17 138	20 251	8 049	9 034
- Finance costs	(15 660)	(22 601)	(1 804)	(905)
Core healthcare profit	256 569	193 703	26 986	12 186
Net loss from acquired healthcare business	-	(43 056)	-	-
- Revenue	-	92 917	-	-
- Expenses	-	(135 973)	-	-
Healthcare profit before associates	256 569	150 647	26 986	12 186
Share of profit from associates	10 888	14 017	-	-
Profit before impairment and amortisation	267 457	164 664	26 986	12 186
Depreciation	(44 170)	(42 995)	-	-
Impairment of investment	(10 266)	(67 313)	(10 266)	(51 565)
Impairment of intangible assets	(4 958)	(8 405)	-	-
Amortisation of intangible assets	(35 542)	(30 291)	-	-
Profit/(loss) before income tax	172 521	15 660	16 720	(39 379)
Income tax	(45 982)	(18 027)	2 806	(1 069)
Profit/(loss) for the year from continued operations	126 539	(2 367)	19 526	(40 448)
Loss from discontinued operations	-	(847)	-	-
Profit/(loss) for the year	126 539	(3 214)	19 526	(40 448)
Other comprehensive income	-	-	-	-
Total comprehensive profit/(loss) for the year	126 539	(3 214)	19 526	(40 448)
Attributable to:				
Equity holders of the parent	117 248	(7 413)	19 526	(40 448)
Non-controlling interest	9 291	4 199	-	-
	126 539	(3 214)	19 526	(40 448)
(Loss)/earnings per share (cents) attributable to equity holders of the parent				
- Basic	44,32	(2,53)	-	-
- Diluted	37,64	(2,15)	-	-

Consolidated statement of changes in equity

for the year ended 30 June 2011

	Ordinary share capital R'000	Pre- ference share capital R'000	Share premium R'000	Con- tingent shares to be issued R'000	Foreign currency trans- lation reserve R'000	Treasury shares R'000	Share based payment reserve R'000	Retained earnings R'000	Non- con- trolling interest R'000	Total equity R'000
Group										
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
Net loss for the year	-	-	-	-	-	-	-	(7 413)	4 199	(3 214)
Share buy-back from minorities	-	-	-	-	-	-	-	-	(14 361)	(14 361)
Treasury shares issued	-	-	-	-	-	(610)	-	-	-	(610)
Revaluation of share based payment liability	-	-	-	-	-	-	(624)	-	-	(624)
Balance as at 1 July 2010	2 624	166	386 650	188 540	-	(610)	-	42 916	21 777	642 063
Issue of share capital	35	-	5 961	-	-	-	-	-	-	5 996
Foreign currency translation reserve	-	-	-	-	241	-	-	-	-	241
Treasury shares revalued	-	-	-	-	-	(552)	-	-	-	(552)
Transfer from minorities as a result of share buy-backs	-	-	-	-	-	-	-	7 007	(7 007)	-
Dividends paid	-	-	(23 376)	-	-	-	-	-	(3 275)	(26 651)
Net profit for the year	-	-	-	-	-	-	-	117 248	9 291	126 539
Balance as at 30 June 2011	2 659	166	369 235	188 540	241	(1 162)	-	167 171	20 786	747 636

	Ordinary share capital R'000	Preference share capital R'000	Share premium R'000	Contingent shares to be issued R'000	Retained earnings R'000	Total equity R'000
Company						
Balance as at 1 July 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
Issue of share capital	35	-	5 961	-	-	5 996
Dividends paid	-	-	(23 376)	-	-	(23 376)
Net profit for the year	-	-	-	-	19 526	19 526
Balance as at 30 June 2011	2 659	166	369 235	188 540	2 515	563 115

Financial overview

Consolidated statement of cash flows

for the year ended 30 June 2011

	Group 30 June 2011 R'000	Group 30 June 2010 R'000	Company 30 June 2011 R'000	Company 30 June 2010 R'000
Cash flows from operating activities				
Cash generated from/(utilised in) operations	163 049	174 803	20 612	8 653
Finance income	17 138	28 593	8 049	17 376
Finance costs	(15 426)	(16 703)	(1 804)	(905)
Dividends paid	(26 035)	-	(23 376)	-
Income tax paid	(34 733)	(70 859)	-	(1 821)
Net cash generated from/(utilised in) operating activities	103 993	115 834	3 481	23 303
Cash flows from investing activities				
Disposal/(acquisition) of subsidiaries	-	87 618	-	-
Disposal of cash portion of discontinued operation	-	(64 146)	-	-
Purchase of property, plant and equipment	(22 869)	(59 327)	-	-
Purchase of investment property	-	(8 543)	-	-
Increase in intangible assets	(55 016)	(32 049)	-	-
Refund on purchase of subsidiary	-	23 817	-	-
Proceeds on disposal of property, plant and equipment	2 898	-	-	-
Proceeds on disposal of intangible assets	5 603	-	-	-
Increase in shareholding of ACL Mauritius	(21 135)	-	-	-
Dividends received from associates	948	-	-	-
Decrease in investment and loans to associates	702	(7 582)	-	-
Finance income	-	(8 342)	-	(8 342)
Net cash (outflow)/inflow from investing activities	(88 869)	(68 554)	-	(8 342)
Cash flows from financing activities				
Dividends paid to minorities	(874)	-	-	-
Shares issued	5 996	-	5 996	-
Decrease in minorities	-	(15 108)	-	-
Increase/(decrease) in borrowings	37 928	6 326	-	(1 500)
Increase in loans to Group companies	-	-	(8 910)	(12 545)
Net cash (outflow)/inflow from financing activities	43 050	(8 782)	(2 914)	(14 045)
Net cash flow for continuing operations	58 174	38 498	567	916
Net cash flow from discontinued operation	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	58 174	38 498	567	916
Cash and cash equivalents at beginning of year	114 537	76 039	2 401	1 485
Cash and cash equivalents at end of year	172 711	114 537	2 968	2 401
Disclosed as follows:				
Cash and cash equivalents	180 015	122 524	10 272	10 388
Bank overdraft	(7 304)	(7 987)	(7 304)	(7 987)
	172 711	114 537	2 968	2 401

AfroCentric Health

A pioneer of sustainable healthcare



Creating a world of sustainable healthcare

“The healthcare sector needs continued investment and innovation to provide our broader society with sustainable access to healthcare.”

Dr Anna Mokgokong

– AfroCentric media release 23 September 2008

The need for sustainable healthcare solutions

The growth of economies and populations, the adoption of wasteful practices, the abuse of natural resources and the pursuit of profit without the consideration of the consequences present our world today with many challenges. One of the most daunting of these challenges is how we sustain the benefits of our civilisation without succumbing to the consequences brought about by an advanced society.

While “sustainability” applies to the world in general, it applies disproportionately to healthcare. For many reasons – ageing populations, scarce skills, lifestyle-related diseases among them – there are not enough healthcare resources to meet the needs of the population. Healthcare systems worldwide are buckling under pressure.

In South Africa, similar challenges exist, but they are compounded by our historical legacy. At 8,7% of GDP, our healthcare spend is

significantly greater than any other African country (and more than some countries in the rest of the world) yet our health outcomes are significantly worse than for countries spending much less than South Africa on healthcare. The South African healthcare system is simply not sustainable. In this context, government’s determination to implement a National Health Insurance system within the next 14 years is not only understandable, it is critical.

AfroCentric Health’s vision – Creating a world of Sustainable Healthcare – is our approach to resolving this situation. AfroCentric Health has harnessed the skills, experience and expertise gained from the traditional healthcare practices to develop innovative new initiatives that create our world of sustainable healthcare.

AfroCentric is the ultimate holding company of Medscheme Holdings Limited. Medscheme is the largest independent medical scheme administrator and managed care solutions provider in South Africa.

A Member of AfroCentric Group

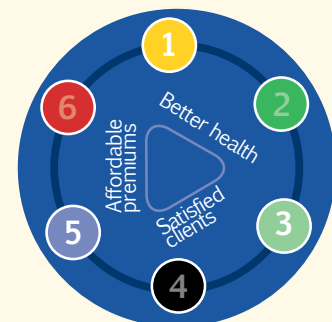

Managed care – promoting sustainability

Aligned with AfroCentric Health’s vision, our managed care division actively promotes sustainable healthcare in the interests of the country, our clients and their members. The division takes an individualised, client-centric approach to health risk management which is based on achieving sustainable healthcare through a suite of products that:

- Keeps contributions affordable;
- minimises inappropriate care in terms of cost and quality;
- promotes health;
- ensures appropriate care for each individual member; and
- allows access to appropriate new medical technology.

This is achieved simply and intuitively to ensure a market-leading customer experience.

Our managed care division is the largest of its type in South Africa, with solutions focusing on six areas:



- 1 Health policy and technology evaluation
- 2 Health risk management operations
- 3 Health risk management IT solutions
- 4 Strategic purchasing
- 5 Disease and high risk member management
- 6 Actuarial and health informatics

AfroCentric Health

A pioneer of sustainable healthcare



An apple a day - the wisdom of prevention

Supported by scientific evidence, preventable, lifestyle-related chronic diseases (or non-communicable diseases) remain one of the leading causes of death, disability and avoidable healthcare costs in westernised society. This trend is having a dramatic impact on disease profiles and is a major contributor to the increasing cost of healthcare.

“Non-communicable diseases such as high blood pressure, diabetes, chronic heart disease, chronic lung diseases, cancer and mental illnesses contributed 28% of the total burden of disease measured by disability adjusted life years in 2004. They are largely driven by four risk factors, namely alcohol, smoking, poor diet, and lack of exercise.”

– NHI Green Paper, August 2011

Healthcare is moving away from the hospicentric treatment of disease and symptoms towards wellness and the prevention of disease. In this new world of healthcare, people are encouraged to improve their health and wellbeing by providing relevant information regarding their state of health.

Empowering healthier lives

This trend has been integrated into Medscheme’s managed care offering in our drive to create a more sustainable healthcare environment. Our Lifestyle Management Programme has been developed using South African clinical guidelines and the programme empowers people to take ownership of their health and wellbeing.

AfroCentric Health also has the analytical infrastructure to support the overall objective of data integration and profiling between stakeholders to provide a holistic perspective of healthcare. The end result is that people gain valuable insight into their lifestyle and potential health risks. The resulting integrated view of delivery will drive the best healthcare value for the individual, employers, government and society.

Four ingredients for excellence

Our Passion for People



Our Passion for Performance



Our Passion for Health



Best of Breed IT



These are reflected throughout the text and detailed further on page 15.

“By encouraging their members to make better choices, payors can prevent or control many chronic diseases, ensure that healthcare resources are used more wisely, and – in many cases – reduce costs.”

– McKinsey Quarterly, January 2010



Raising the profile of living a healthy lifestyle



Sports sponsorships – supporting clients' brands

Aligned with AfroCentric Health's partnership strategy to support clients' brands, AfroCentric Health's cycling portfolios have been successfully migrated across to our open scheme clients Bonitas and Fedhealth. Bonitas has taken over both the Team Medscheme and Supercycling sponsorships while Fedhealth now has the naming rights for the Tour de Tuli sponsorship.

The rebranded sponsorships are achieving their objectives of building and repositioning our open scheme clients' brands.

The Development Cycling Team

AfroCentric Health has established a development cycling team which is made up of eight promising young cycling enthusiasts from Soweto.

AfroCentric Health is offering these youngsters the opportunity to realise their dream of becoming cycling professionals and to excel at national and international level. The team participates in events recognised by the International Cycling Union ("UCI") as well as Cycling South Africa ("CSA"), where they are gaining valuable exposure and experience.



Backed by a decade of science

Our programmes are supported by 10 years of research and clinical data providing detailed health risk information, personalised action plans and the information, tools and mentorship participants needed to ensure success. More than 70 published scientific manuscripts and abstracts have resulted from work with our clients.

“Outcomes data from published studies, including randomised clinical trials and independent third-party conducted research, have documented the clinical effectiveness of this evidence based approach in terms of modification of multiple risk factors in healthy persons as well as those with certain common chronic diseases.”

Dr Neil F Gordon

– Nationwide Better HealthCare study



AfroCentric Health

A pioneer of sustainable healthcare



Proactively reducing the spread and impact of HIV/AIDS

“Despite South Africa only having 0,7% of the world population, it carries 17% of HIV infected people in the world.”

– NHI Green Paper, August 2011

AfroCentric Health's Aid for AIDS (“AfA”) division was the first HIV disease manager to develop programmes for medical schemes in South Africa and currently provides services to 45 medical schemes and corporations (workplace programmes) both in South Africa and in seven other African countries.

Funded by the US President's Emergency Plan for AIDS Relief (“PEPFAR”), AfA also provides its HIV/AIDS treatment programme within the South African public sector. With 108 000 patients enrolled on its disease management programme, AfA is the largest private sector HIV manager in South Africa.

“We need to work together to attack this epidemic. South Africa has the expertise – let us use it along with the funding made available both locally and by the major international donor funders to encourage millions of South Africans living with HIV/AIDS to get access to treatment, care and support.”

Dr Anna Mokgokong

– member of the AfroCentric Board and the Clinton Global Initiative (CGI)

AfA's prestigious list of clients includes the largest closed scheme in South Africa as well as the country's second largest open scheme, Bonitas Medical Fund. Corporate clients include corporate giants such as SA Breweries, Nestlé, Life Healthcare, Sun International and Debswana.

Disease management programmes are customised to address specific client medical scheme or corporations' requirements. The objective of these partnerships is to jointly design customised HIV/AIDS workplace solutions which benefit medical scheme beneficiaries and employees, as well as the families of employees and the communities within which they reside.

AfA also provides a range of critical complementary services which support the disease management programmes including:

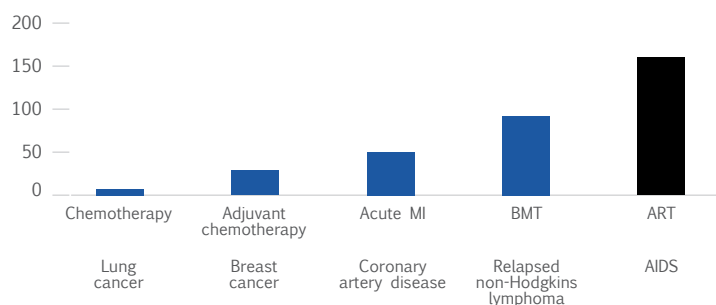
- Financial impact assessments;
- HIV policy reviews;
- Knowledge, attitude and practices surveys (“KAP”);
- Awareness training and other educational services;
- HIV Counselling and Testing (“HCT”); and
- A soon to be launched specialised HIV life insurance product specifically for AfA contracted patients.

This comprehensive solution integrates data collection and management, and its architecture, incorporates a set of processes which take into account the need to educate members/employees. The solution also emphasises the avoidance of new infections, the effective management of existing infections and how to deal with new infections.

Achieving better clinical and cost outcomes

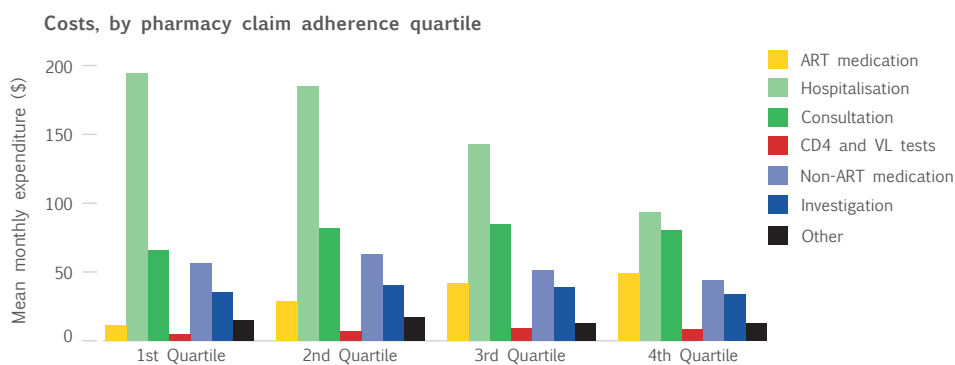
The value of HIV treatment in terms of reducing the incidence of AIDS symptoms and hospital admissions is beyond question and has been documented extensively in scientific literature. The figure below shows the efficacy of antiretroviral therapy (“ART”) in terms of survival gains in comparison to a number of other chronic diseases.

Per person survival gains (months)



The beneficial cost outcomes of ART have also been well documented internationally and confirmed in the South African context by a major study published in Internal Medicine in 2010. The figure below illustrates the correlation between treatment costs and ART adherence as measured by medicines dispensed. Most noteworthy is the decline in hospitalisation costs which has an additional dimension, namely better health of the beneficiary and a greater ability to fulfil family and work related responsibilities.

The primary objective of the HIV disease management programme is to limit the probability of high cost cases through the provision of disease management support services to people living with HIV/AIDS and their healthcare providers. A core strategy of AfA is to increase adherence to therapy through the provision of treatment support services to HIV+ patients, particularly early on in therapy.



Working within the community to improve health outcomes



Robertson Programme

AfroCentric Health joined forces with Cape Women’s Forum and Breede River Hospice in the Western Cape to empower local farm workers to become first health contacts on the farms on which they are employed. The training programme is overseen by the National Department of Health and includes theoretical and practical work sessions, mentoring and supervision by a professional nurse employed by Breede River Hospice.

The first 15 candidates graduated from the 12-month training programme on 21 October 2011 and since the programme is unit standard aligned, the learners may now accumulate credits towards a formal qualification.

AfroCentric Health

A pioneer of sustainable healthcare



Rewarding healthy behaviour

Offering great flexibility in design to incentivise better healthcare behaviour, our I.E.loyalty programme provides vital support in encouraging healthier lifestyles. The programme offers discounts from more than 5 500 merchants and provides services ranging from legal assistance to Cellfind Emergency Panic Buttons.

The programme also offers:

b-smart

b-Smart: Cashback on your everyday shopping

b-Smart is a proprietary transactional rewards model offering cashback as a reward to members for shopping at some of SA's most recognisable brands including Shoprite/Checkers, Woolworths, Makro and Game. In addition, "Assist" benefits are available for greater member security and peace of mind, as well as further exclusive benefits in a suite of categories over and above the retail sector.

b-there

b-There: The lowest travel fares in the open market!

b-There is a travel aggregator run directly from the world's biggest travel platform, Amadeus. Replicating a travel agency environment, members can select their travel options on a single user-friendly web interface, and pay lower fees for bookings completed than one would pay at a traditional travel agency. A call centre option is also available for those members who do not wish to use the web interface.

Bringing healthcare to the patient

One of the most important innovations for lower cost healthcare delivery involves the establishment of provider networks. Although provider networks are usually adopted by low-cost medical scheme benefit options to manage the price risk to the medical scheme, these networks also ensure geographic access to affordable quality healthcare.

Networks in isolation, however, will not ensure the sustainability of healthcare provision.

The design of a low-cost option needs to make full use of the various managed care tools to ensure care is provided on an equitable basis and to manage the risk profile of both the patient and funder.

A world of sustainable healthcare can only be achieved through the integration of primary care networks with benefit design, traditional managed care utilisation/price management and the processes and systems of sound healthcare administration.

AfroCentric Health is the only network manager with the ability to offer management of in and out of hospital care through a well-resourced, integrated model of risk management programmes that provide a single view of the patient within a network setting.

At the forefront of the development of alternative reimbursement models for in-hospital treatment, AfroCentric Health is also the only network manager able to successfully identify and financially reward healthcare professionals for cost-effective, quality care as well as managing downstream costs through:

- Risk equalised performance index ("REPI");
- Specialist recognition profiling;
- Strong professional and contractual relationships with GPs, pharmacists, dentists, optometrists, hospital groups and specialists; and
- Predictive modelling to identify high risk members.

We have a network of more than 5 200 general practitioners (of which 64% are dispensing doctors) and 1 855 pharmacies in place, which offers geographic coverage across provinces. AfroCentric Health has also established a network of 1 862 dentists and 1 702 optometrists and our network of over 500 specialists is growing steadily.

AfroCentric Health has also successfully managed the provider networks on behalf of the Government Employees Medical Scheme's ("GEMS") Beryl and Sapphire options since 2009.



Recipe for excellence

Ingredients of our recipe for excellence

At AfroCentric Health we deliver our vision of creating a world of sustainable healthcare through 4 ingredients:

- Our Passion for People
- Our Passion for Performance
- Our Passion for Health
- Best of Breed IT



Our passion for people

AfroCentric Health focuses on creating a high performance culture where all employees understand their contribution towards achieving our vision and feel supported and motivated to effectively manage their own performance.

Through our commitment to building organisational capability and promoting a culture of continuous learning, a number of initiatives aimed at enhancing employee competencies were implemented during 2011. A total of 5 181 learners were trained (of which 77% were female and 5,7% were people with disabilities) against a target of 1 247 interventions.

Employees are our most valued resource and we therefore place a high premium on employee well-being. Our employees' wellness initiatives take a holistic approach by covering physical, emotional, financial, spiritual and social engagement. Through productive partnerships with service providers, several wellness initiatives were implemented throughout the year.

Employee reward

Employee reward is one of the single largest investments incurred by AfroCentric Health and it is therefore imperative to the Board that the principles, strategy, processes and governance in the context of a total reward package are carefully considered, well understood and clearly documented and communicated.

There are a number of formal and informal employee recognition programmes in place within AfroCentric Health to acknowledge and celebrate the contribution that employees make in a non-financial way.

- Service Heroes – employees are recognised weekly by the CEO for customer service;
- Switchlab – a recognition programme to promote innovative ideas that demonstrate a financial return;
- 110% Achiever Awards – monthly recognition scheme which recognises employees who deliver exceptional performance. The programme is aligned with AfroCentric Health's and culminates in an annual awards ceremony which celebrates the year's top achievers; and
- Honouring our 110% Achievers.



Recipe for excellence

Ingredients of our recipe for excellence



Promoting black representation at management level

Black representation among executive directors, using the adjusted recognition for gender, increased to 31,82% in 2010 and among other top management increased from 33,33% to 42,86% over the same period, surpassing the compliance target of 40%.

Among senior managers, black representation has increased to 57% in 2010, while representation among middle management has increased to 38,33% during the same period.

AfroCentric Health is committed to ensure that the leadership is fully representative of the South African population and will continue to appoint suitably qualified candidates from previously disadvantaged groups to vacant positions wherever possible.

Transforming the business

AfroCentric embraces the principles of Broad-Based Black Economic Empowerment ("B-BBEE") and supports the participation of previously disadvantaged people in the development of the South African economy, irrespective of race, colour or creed.

We consider B-BBEE a critical success factor for the business. For this reason we have assigned ownership of each of the seven pillars of B-BBEE to a member of the executive who is responsible for the successful implementation of projects that fall within the scope of that pillar.

AfroCentric's BEE ownership exceeds 68%.

B-BBEE status

AfroCentric Health recognises transformation as being key to the sustainability of the business and therefore embraces the ideals of Broad-Based Black Economic Empowerment.

Through its internal structures which include the Socio-Economic Development Committees, National Employment Equity Forum and B-BBEE Steering Committee, AfroCentric Health has improved the B-BBEE status of the organisation to Level 3 in 2009. AfroCentric Health has also been recognised as a value adding supplier.

Medscheme was again independently verified and retained its B-BBEE Contributor Level 3 and value adding supplier status which affords our clients a 135% procurement recognition.



A B-BBEE verification is underway at Group level and we are confident that we will either maintain our current status or advance to a Level 2 contributor.

Medscheme's current B-BBEE scores are as follows:

B-BBEE pillar	Weighting	Medscheme's score
Ownership	20	20
Management control	10 + 1 bonus	6
Employment equity	15 + 3 bonus	11,47
Skills development	15	8,97
Preferential procurement	20	18,22
Enterprise development	15	12,10
Socio-economic development	5	5
B-BBEE Contributor Level 3		81,76

Source: Medscheme

Socio-Economic Development and Enterprise Development

Supporting government's 10 point plan for healthcare

Aligned with our vision, AfroCentric Health's approach is to bring our knowledge, expertise and resources to bear on helping solve the critical issues facing the healthcare industry in South Africa. We therefore actively support and promote government's 10-point plan for healthcare by investing in projects that are aligned with the plan.

The focus of Medscheme's Socio-Economic Development ("SED") and Enterprise Development ("ED") projects is therefore to support the revitalisation of public health facilities and address the severe shortage of medical personnel in our country.

Enterprise Development ("ED")

AfroCentric Health is actively involved in the following ED projects:

Medscheme Empowering Doctors

The objective of our Medscheme Empowering Doctors ("MEDs") programme is to assist recently qualified doctors from disadvantaged backgrounds to set up successful private practices. The programme involves training, coaching and mentoring in business and financial management as well as financial assistance.

Eluthandweni Maternity Clinic

Eluthandweni Maternity Services is based in the Kathorus area. As an emerging enterprise, Eluthandweni faces many challenges including cash flow management, computer literacy and keeping abreast with new developments within the healthcare sector.

AfroCentric Health has partnered with the clinic by sponsoring much needed training and providing working capital. Our decision to support the clinic is aligned with Millennium Development Goals 4 (infant mortality) and 5 (maternal health).

Nursing colleges

The reopening of nursing schools and colleges presents an opportunity for Medscheme to contribute to the development, financial and operational independence of privately owned nursing colleges. We are currently in the process of implementing a far-reaching programme to support black-owned nursing colleges to produce qualified and competent nurses and to address the shortage of qualified healthcare professionals in the country.



Recipe for excellence

Ingredients in our recipe for excellence



Socio-Economic Development (“SED”)

AfroCentric Health spends more than 1% of its profits on socio-economic development projects which focus on the health and education of the youth as well as the revitalisation of public healthcare facilities and education of healthcare personnel.

Medscheme’s SED projects include:

Charlotte Maxeke Johannesburg Hospital School

Johannesburg Hospital School caters for learners from Grades R to 12 who are admitted to hospital for extended treatment. The school makes it possible for learners to receive medical treatment without interrupting their education.

Medscheme has adopted the school as its flagship project and has funded the complete refurbishment and equipping of the school. We have also sponsored the installation of a custom designed playground which provides a safe environment for children with impaired immune systems to play in safety.

Life College

Life College is a non-profit organisation that focuses on developing psycho-social skills for young people to build on their strengths and prepare them to be successful in life’s challenges. We support Princess High School in Roodepoort by funding Life College’s “Who Am I?” training programme.

Revitalisation of Public Hospitals Programme

AfroCentric Health supports the National Department of Health’s strategy to revitalise public sector hospitals, which aims to build infrastructure and address the shortage of lifesaving equipment.

Medscheme is committed to giving back to the communities in which it operates and actively encourages volunteerism among employees.

As part of supporting Mandela Day on 18 July 2011, Medscheme employees were hard at work assisting Siyabonga Dorah’s Ark Foundation in Roodepoort to revive its food garden. The supply of fresh vegetables will ensure nutrition for the 46 children cared for by the centre.

Somerset Hospital

We sponsored the purchase of a state-of-the-art incubator which will reduce infant mortality through temperature and respiratory support, as well as isolation from infection.

SA Air Mercy

A three-hour battery life mobile incubator vital for an air ambulance was sponsored by Medscheme.

Leratong Hospital

Medscheme funded the purchase of 22 examination beds, six resuscitation beds and medical equipment as part of the refurbishment of the trauma unit at the hospital.



∞ Our passion for performance

AfroCentric Health is a performance driven organisation and has implemented a series of strategies to ensure excellence.

Quality assurance

AfroCentric Health has invested heavily in ensuring our leadership position in healthcare. This has resulted in the establishment of a quality management and assurance unit in the health administration business and health intelligence unit in the managed healthcare business.

In line with our focus on quality, the Bonitas, Fedhealth and Closed Schemes business units have achieved ISO 9001:2008 certification and the project is currently rolled out throughout the remainder of operations.

Quality service

The delivery of exceptional service across AfroCentric Health at all client touch points is a non-negotiable and forms one of the core elements of the AfroCentric Health culture.

AfroCentric Health continuously strives to raise the bar in terms of service delivery and works closely with clients to ensure that service expectation is consistently exceeded. Client touch points include member and provider call centres, key account support for large pay-points, an extensive branch network throughout southern Africa, web-based self-service and event triggered text (“SMS”) messages and emails.

Business process specialisation

Business process owners, appointed to oversee critical operational processes, are accountable for continuous monitoring, tracking, trending, analysing and improvement of business processes. An activity number is allocated to each activity on the process map. This assists us when identifying or isolating specific activities that we can either learn from or positively inform other activities or where we need to focus on improvement.

The benefits of the implemented business processes have been:

- Identification of clear business and process metrics;
- Reporting on efficiency and effectiveness of current business processes;
- Ease of identification of weaker areas; and
- Use of simulated business process software allows testing of new or improved processes without any impact on service delivery.

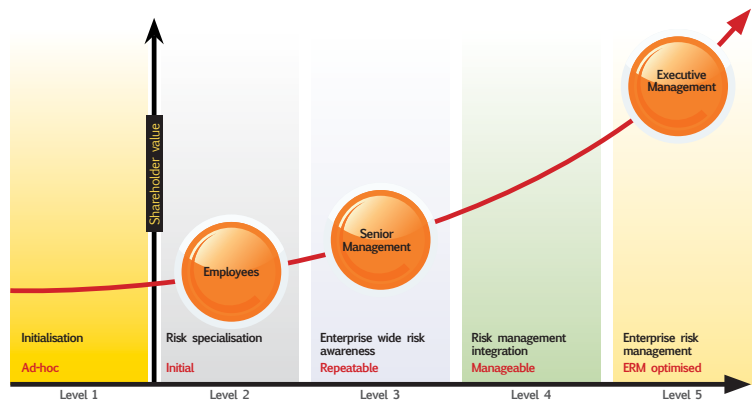
Risk management

AfroCentric Health’s legal, governance, risk and compliance department mitigates potential legal, reputational, or financial risks to the Group. Internal controls and sound corporate governance allow the Company to provide a value added service to its clients and focus its energy on innovation and optimal service delivery.

Healthcare is a highly regulated industry and consequently AfroCentric’s level of risk awareness is higher than that of companies in most industries. In this context the Company takes both a proactive and a reactive approach to ensure a combined assurance function. It identifies and mitigates potential risks and simultaneously the internal audit unit checks that controls already in place are effective. This in turn feeds into the risk management process to assess the likelihood of the risks initially identified.

Sound corporate governance is an essential part of managing risk and the latest King III report is being taken seriously to ensure the Company is sustainable over the long term. AfroCentric Health has an entrenched risk maturity according to the RIMS Risk Maturity Model (“RMM”) for Enterprise Risk Management.

AfroCentric Health’s risk management maturity is compliant at all levels, with executive management achieving Enterprise status



Stronger Business Unit Integration



Recipe for excellence

Ingredients in our recipe for excellence



Kabelo's story

Kabelo Letebele was appointed as AfroCentric Health's Risk Manager in August 2010 and hopes to enrol for an MBA within the next three to five years.

Born in Klerksdorp, Kabelo completed his matriculation at St Barnabas College in 1996 and his proudest moment was receiving the highest award at school – the Headmaster's Commendation 'for all round contribution to the life of the school'.

"Throughout my life I've always wanted to get involved and participate in more than my primary role, whether it was schooling or work," he says. A defining moment was back in 1992, when Kabelo was diagnosed with cancer during his first year at boarding school. He received part of his schooling at the Johannesburg Hospital School which AfroCentric Health has since adopted as flagship SED project.

After making a full recovery, Kabelo later served as Chairman of Survivors of Childhood Illnesses and Diseases (SOLID) group, an organisation for survivors of childhood cancer under the CHOC Childhood Cancer Foundation, from 2000 to 2005. Apart from playing a significant role in making SOLID a national structure, Kabelo also represented SOLID at Luxembourg in 2002 and was also the spokesperson of this organisation during this period.

After completing matriculation, he enrolled to study Public Relations Management at Technikon Witwatersrand ("TWR") – now University of Johannesburg – where he obtained his degree in 1999. His highlights at TWR include being a writer at the *TWR Times* and also being appointed as Assistant Manager at Majuba Men's Residence.

In 2009, through AfroCentric Health's Study Assistance Programme, Kabelo earned a Postgraduate Diploma in Business Administration through the Gordon Institute of Business Science.

"I see risk as key to the future of any business, after all it is a flip side of a coin. On the one hand you have your objectives/strategy and on the other you have your risks and the plan on how you plan to mitigate them. Apart from continuing to foster the culture of risk management within AfroCentric Health, I also hope that over and above the current focus on Risks TO Strategy in future the risk management discipline can also play a role in clarifying and defining the Risk OF Strategy of the business," he says.

Describing his attitude, Kabelo says: "We are all out there doing our best, so in my day-to-day work I try not to get caught up in the drama – instead I try to deal with issues with objectivity and maturity. I regard my new role as a new page in my life and I am the author of what will be written on this new page. I am excited about prospects of the years to come and irrespective of what I choose to do, I expect great things and I look forward to the journey," he concluded. For further information on IRMSA awards please see page 24.



Kabelo Letebele, Group Risk Manager, and Kevin Aron, Managing Director: South Africa, accepting two 2011 IRMSA Awards.



Our passion for health

AfroCentric Health's healthcare programmes cover the entire spectrum of the healthcare delivery system – hospitals, general practitioners, specialists, medication, dentistry, optometry, pathology and radiology.

Recognising that general practitioners and specialists must work hand-in-hand with medical schemes to achieve the best healthcare results, AfroCentric

Health has invested significantly in engaging general practitioners, specialists and the hospital groups. The result is a system of close working relationships between AfroCentric Health, healthcare professionals, members and the schemes.

Industry firsts – leading the way in managed care



Managed care is a science requiring skill, experience and expertise. Balancing access to healthcare, assessing the appropriateness of the care provided in the most clinically relevant setting while keeping an eye on the consequent cost impact and supporting the patient and their family, is not for the uninitiated.

AfroCentric Health's passion for health is behind a proud 20-year legacy of achieving industry firsts in the field of managed care, which in turn have paved the path to a world of sustainable healthcare.

- The development of easily accessible, documented clinical funding policies for all managed care interventions. These policies are based on proven evidence-based guidelines.
- The incorporation of clinical funding policies into the actuarial benefit design and financial risk monitoring processes.
- The first chronic medicine management programme that manages utilisation on a line-by-line basis.
- The first (and only) medicine exclusions list that excludes funding for specific medicines based on evidence-based criteria for effectiveness and patient safety.
- The first (and only) generic medicines reference pricing model which features negotiated prices.
- A hospital utilisation management operating system with built-in clinical funding protocols. This results in transparent and consistent funding decisions.
- A complete set of evidence-based dental funding policies approved by the South African Dental Association.
- General practitioner profiling according to standards that include quality of care and cost-effectiveness.
- General practitioner networks that reimburse doctors based on their profiled performance.
- An integrated beneficiary model that partners with general practitioners, through sharing of relevant information.
- The first disease management programme for people living with HIV in South Africa through Aid for AIDS.
- The first complete diagnostic and treatment compendium of HIV clinical guidelines freely distributed by Aid for AIDS to all doctors in South Africa. This is updated on an annual basis and has become the standard of treatment in the private sector. It is also widely used in the public sector.
- Application of in-house actuarial models with internationally accepted disease grouping to uniquely predict and categorise beneficiaries at risk of clinical deterioration.
- A unique high-risk beneficiary disease management programme that performs timeous preventative interventions involving both the beneficiaries and their treating doctors.
- A robust methodology which confirms financial outcomes of the disease management model.

Recipe for excellence

Ingredients in our recipe for excellence



World-class technology and communications



AfroCentric Health operates a fully integrated, flexible administration platform under the Helios business unit.

AfroCentric Health's world-class NEXUS system is a fully integrated administration platform geared towards the provision of seamless and efficient administration services using the latest technology and software applications. A high degree of automated processing and built-in audit functionality ensure superior accuracy and the audit compliance of internal controls has been verified annually through a SAS70 review and through an ISAE 3402 review in future.

AfroCentric Health's administration platform is supported by sophisticated, comprehensive disaster recovery infrastructure and processes which ensure ongoing optimal member experience across all member touch points. Documented Business Continuity Programmes ("BCP") and Disaster Recovery ("DRM") plans are in place and tested on a regular basis.

Salient facts:

- Total data storage capacity 256 TB
- Hardware partners are EMC, CISCO, AVAYA and UNISYS
- 95% of software supplied by Oracle, Novell Linux and Microsoft
- Data in DR environment is on average 15 seconds behind our production data
- One of the first companies globally to implement Oracle technologies to achieve operational storage efficiencies, using tiered storage on Oracle 11G
- All databases are running the latest version of Oracle 11G



AfroCentric Health in your life

Caring for 3,1 million members

AfroCentric Health's primary clients are medical schemes. We provide healthcare administration and managed care services to them and support the trustees in fulfilling their fiduciary responsibilities. This is a challenging business environment and extensive investment in technology, passionate people and 24/7 dedication to clients are prerequisites for success. The benefits of AfroCentric Health administration, however, reach beyond our clients and touch the lives of the members.



Our accessibility and responsiveness

AfroCentric Health is easy to contact and talk to. We have walk-in centres conveniently located throughout the country. Our approach is flexible and we ask our stakeholders how they would prefer to interact with us and act accordingly:

Our best-of-breed call centre infrastructure and technology enables easy, proactive communication. SMS notifications on the progress of claims are a particular favourite of our members.

Our Voice of the Customer initiatives ensure members and healthcare providers have the opportunity to give us feedback after interacting with us.

I have had a few claims this year and to get feedback so quickly on the payments and also to get a statement which shows what benefits remain helps to manage my medical aid much better. Thank you. Much appreciated. Keep up the good work.

The consultants are very friendly and helpful. I have had no problem that they could not help me with. Thank you for this good service.

I would like to bring to your attention the wonderful service I received from Jo-Anne in your Chronic Medications call centre earlier today. She was polite, friendly and above all she knew what she was talking about and was willing to assist.

I'm very impressed with the claims notifications received via email... e.g. I went to the chemist one evening and the following day I received the statement via email of what was dispensed to me from the chemist and then within one day I got the confirmation of payment... very, very impressed, well done.

Thank you for keeping me informed of all changes. The call centre staff is really excellent, very courteous and professional.

Brilliant service, my claims are emailed to me within 24 hours and paid promptly, well done, I have nothing but praise for you guys!

The statements are user-friendly and easy to understand, all the info that you need to know is on hand as well as if they are busy processing a claim you as main member get informed immediately. When an account is paid you also receive a detailed statement about everything. Great work!!!

I cannot comment on call centre staff as I never have to call. Your website is excellent. Communication has been excellent.

I am very impressed with the administration of the fund and the email feedback on my claims is very useful.

Well done, we are very fortunate to be serviced so efficiently. The reports are clear and concise and the staff well trained.

Please note that the service I currently receive from the Medical Aid is the best I have ever experienced in the past 25 years, please keep it up.

Member comments extracted from a recent member satisfaction survey performed by the Old Mutual Staff Medical Aid Fund

AfroCentric Health in your life

The choice of medical schemes



Award winning operations

HelloPeter

HelloPeter is a well-respected website which provided an independent rating of the quality of service delivery across many industry sectors – including medical schemes.

Fedhealth heads the league by a significant margin across two of the three ratios and is narrowly edged into second place by a mere 1% on the third ratio. Measured over the past 12 months, Fedhealth achieved the highest compliments ratio, the lowest complaints ratio and the second highest conversion ratio (i.e. turning complaints into compliments).

Bonitas also fared well, having been edged into third, third and fifth places respectively.

Ask Africa Awards

AfroCentric provides managed care and HIV/AIDS disease management services to South Africa's second largest medical scheme which was awarded the highest rate for service excellence in the medical scheme category.

PMR.africa awards for excellence

AfroCentric Health itself has been awarded PMR.africa's top accolades for excellence in medical scheme administration, managed care and disease management.

In 2011, Aid for AIDS once again performed well in the annual PMR.africa awards receiving a Diamond Arrow Award for achieving the highest score (4,27 out of a possible 5) in the Specialist Service – Disease Management: HIV/AIDS category.

Aid for AIDS has consistently won the top award in its category since 2006.

Year	Award	Mean score
2011	Diamond	4,27
2010	Gold	4,10
2009	Diamond	4,30
2008	Gold	3,99
2007	Gold	3,91
2006	Gold	4,00

This excellent result demonstrates once again that Aid for AIDS is the benchmark HIV/AIDS disease manager in South Africa.

ThinkMoney

Fedhealth Medical Scheme, to which AfroCentric Health provides administration and managed care services, once again dominated the results of the annual ThinkMoney.co.za subscribers' medical scheme survey. Fedhealth was voted top performer across all four categories (Best Overall, Best for Service, Best Payouts and Best for Cover).

This is an outstanding achievement which reflects the standard of service which AfroCentric Health delivers to clients.

IRMSA Awards

AfroCentric Health joined the Institute of Risk Management South Africa ("IRMSA") in 2009. The Institute's objective is to promote risk management best practice in the corporate sector and conferences are regularly hosted to upskill risk managers.

IRMSA's Annual Awards are held to acknowledge excellence in the risk management discipline. Submissions must demonstrate the application of sound risk management principles and practices, as well as any unique initiatives implemented to drive effective risk management throughout the organisation.

In the Healthcare category, the panel assessed the degree to which there has been a successful implementation of risk management practices at all levels of the organisation, management buy-in and any unique approach implemented by an organisation on risk management.

AfroCentric Health won the top award in the Healthcare category while Kabelo Letebele, who assumed responsibility for the risk management portfolio in August 2010, won the Up and Coming Risk Manager of the Year category.

AfroCentric faced stiff competition from the four other finalists, Nedbank, Eskom, Vodacom and the Airports Company of South Africa ("ACSA").

This is an outstanding achievement which bears testimony to the superlative work being carried out in the risk management area.



Independent, innovative and empowered

AfroCentric Health is:

- The only black-owned large medical fund administrator;
- Independent of any schemes, so we are able to provide impartial, professional service to all our clients;
- A company that delivers and delights with service excellence;
- A customer-centric culture that continually innovates in the pursuit of better customer experiences;
- A thought leader in the sustainable management of healthcare systems enabled through superior clinical and actuarial skills;
- A client-centred business model that celebrates each fund's unique culture and strategy;
- The largest managed care provider in South Africa, with three (3) million lives entrusted to our care;
- Endowed with a proud 40-year heritage, made possible through continual innovation and the ability to adapt to a rapidly changing healthcare landscape; and
- In possession of a powerful IT infrastructure that seamlessly processes massive transaction volumes and makes use of innovative technology to enhance customer experience.

We listen to our clients, and their members

AfroCentric Health is passionately member-centric; it is part of the DNA of our organisation and is a key requirement in the sustainability of a multi-scheme administration model.

The delivery of exceptional service across AfroCentric Health at all client and member interaction points forms one of the core elements of the AfroCentric Health culture. The overall AfroCentric Health member experience of service quality is a combined result of best performing business processes, customer focused staff and efficient and effective IT systems.

Our focus on quality begins with understanding the members' experience and expectations. Our definition of "quality" is meeting and exceeding client and member expectations, and so our quality focus rests on the foundation of our Voice of the Customer ("VOC") business process.

AfroCentric Health goes to great lengths to understand our customers' experiences and satisfaction. In our world, a customer can be a medical fund member, a fund trustee, the principal officer or a healthcare service provider.

Diversity of services

AfroCentric Health offers medical schemes a comprehensive suite of managed care solutions ranging from the more traditional hospital and medicine benefit management to provider networks offering scale as well as cutting-edge, high-risk beneficiary management. All managed care services are underpinned by health intelligence processes and international best practice protocols and formularies developed by our health policy unit.

AfroCentric Health also has existing electronic interfaces with a wide spectrum of third party service providers in the medical schemes industry which enables scheme choice.

Managing tomorrow's finances

The medical schemes industry is consolidating and many schemes are finding themselves in a position to question whether they can sustainably face the future. The latest Council for Medical Schemes' Annual Report 2010/11 lamented the reduction in reserves and solvency ratios across the industry with only 56% of open schemes compliant.

All AfroCentric Health administered schemes listed in the report maintained their solvency in excess of the minimum statutory requirement of 25%. A key indicator of sustainability through future claims-paying ability!



AfroCentric Health in your life

A healthy investment



AfroCentric Investment Corporation Limited is pleased with the growth in earnings of AfroCentric Health. AfroCentric acquired Lethimvula Investments Limited (the holding company of Medscheme Limited) on the basis that the ultimate purchase price is to be calculated on the attainment of a profit warranty threshold over a period of three years. These warranties will be tested at the end of the 2013 financial year, but the progress toward their attainment appears to be positive.

The quality of service that Medscheme provides to its clients, the efficiency of its systems and its managed care competencies rank Medscheme as a world class administrator already recognised as such by leading private and public sector medical schemes in South Africa and abroad. The Group is well positioned for future growth and given its unique BEE credentials AfroCentric Health should be considered for participation in any NHI related partnership with government.

Strong, stable management team

Management skills and their alignment to shareholder interests is an important contributor to the success of any business and the Board's Investment Committee continues to be impressed with the stability and strength of the management team. The Executive and management teams are highly skilled and share a special appreciation of South African healthcare economics.

Sustainability extends to the environment

The nature of AfroCentric Health's business operations does not pose material damage to the environment as we do not have manufacturing facilities, extensive travel requirements or generate significant waste.

However, as a responsible corporate citizen we recognise the importance of the business being environmentally sustainable and therefore endeavour to minimise our negative environmental impact through a series of approaches which include:

Electronic communications – AfroCentric actively avoids unnecessary printing and paper-based communications and uses electronic communications wherever possible. In 2010 AfroCentric requested permission from shareholders to deliver their annual reports electronically. We would like to convert more shareholders to paperless reporting and ask you to email info@afrocentric.za.com if you would like to make this change.

Sealing of diesel pits around generator – This project was undertaken to reduce the risk of spillages that could lead to huge cost, oil and fuel spillages and possible environmental clean-ups. Closing of generators to reduce noise levels has been completed at all sites.

Lights – All external and internal lights are controlled by timers to reduce power usage and heat emission. All down lighters' globes have been changed to 4,5W units that last four times longer than current globes.

Fluorescent globes – 28W energy-saving fluorescent tubes have been installed across all premises to reduce power usage and increase duration of usage. This initiative drastically saves on the glass output quantity.

Power factor corrections – Electrical components have been installed in distribution boards to monitor the power usage on the floors and to correct oversupply of electricity via the boards. By doing so, AfroCentric Health has reduced power usage and achieved meaningful savings on electricity costs. Less electricity contributes to less coal being burnt and a reduced environmental impact.

Vending – An option currently being explored is the use of biodegradable cups for disposing at the same cost of non-biodegradable cups with a second option of staff making use of their own Thermo cups to reduce cup usage and waste.

Plants – Biodegradable environmental friendly poison is used on indoor and outdoor plants. Natural environmental friendly fertilizers and leaf shine products are also used.

Cleaning – All chemicals used by the cleaners are environmentally friendly with no harm to the water supply.

Paint – The paint used by our contractors is lead free and low fume/odour.

Air-conditioners – Air-conditioners are controlled through timer switches to conserve electricity. At our Durban offices we are using a Building Management System ("BMS") to regulate temperatures to ensure efficient use of power. All air-conditioners are placed on timers to reduce cost, maintenance and electricity usage.

Operations report

Nature of business

AfroCentric is a black-owned, diversified investment holding company. It is listed on the Johannesburg Securities Exchange (“JSE”) in the Healthcare Sector under the code: ACT. The Group’s preference shares are also listed on the JSE under the code: ACTP.

Medscheme holds a substantial majority stake in Lethimvula Investments Limited (“Lethimvula”) and, during the year, increased its holding to 91,56% (2010: 87,53%) through the purchase of minority shareholdings in that company. AfroCentric continues to engage those Lethimvula shareholders who offer their Lethimvula shares for sale. Lethimvula owns 100% of the shareholding in Medscheme Holdings (Pty) Limited, a multi-medical scheme administrator.

In 2010, Lethimvula acquired Old Mutual Healthcare and during this financial year successfully integrated the divisional services of this business with Medscheme Holdings and Lethimvula HealthCare respectively.

AfroCentric has a 27,1% minority interest in JSE-listed Jasco Electronics Holdings Limited (“Jasco”). During the year under review, Jasco acquired 100% of the issued share capital of Spescom Limited, a company previously listed on the JSE. Jasco has successfully integrated the operations of Spescom and delisted the Spescom entity. Jasco also has an investment in MaleselaTaihan Electric Cables (Pty) Limited (“M-Tec”).

Jasco provides solutions, services and products to customers through three core verticals: Information and Communication Technologies, Industry Solutions and Energy Solutions. M-Tec is a leading manufacturer and distributor of fibre-optic cable and a wide range of power and telecom cables, serving *inter alia*, the infrastructural development demands in the South African and African continental markets.

AfroCentric’s exploration and prospecting relationship with Rio Tinto Plc continues in terms of the Reciprocal Strategic Co-Operation Agreement.

Operational review

Operating profit increased 72% to R223 million (2010: R130 million) due to an absence of prior non-recurring restructuring and integrations costs. Organic growth and the increased scale and rationalisation of overheads arising through the Old Mutual Healthcare acquisition also significantly contributed to improved efficiencies and profitability during the year. Lethimvula’s profitability is substantially on target with its forecasts, positively trending towards the profit warranty thresholds on which the price of Lethimvula’s shares will finally be determined.

During the year, Lethimvula acquired all of the shares not already owned by Lethimvula in Administrators and Consultants Limited whose main operations are the administration of medical schemes in Mauritius.

AfroCentric’s investment in Jasco yielded earnings of R2,1 million (2010: R8,7 million) and investment income of R7,4 million (2010: R8,3 million) for the year ended 30 June 2011. Notwithstanding challenging times in the telecommunications industry, Jasco sustained its core profitability after removing once-off costs associated with the acquisition of Spescom Limited. Jasco has also transitioned to a new era of leadership and with refocused management across the three core verticals referred to above, Jasco is today a much larger business, well positioned to take advantage of accelerated growth in energy and industrial services. Further information on Jasco’s earnings, operations and prospects are available on SENS under JSE Code: JSC.

AfroCentric’s exploration and prospecting relationship with Rio Tinto Plc continues in terms of the Reciprocal Strategic Co-Operation Agreement. The nickel prospect in the North West Province has shown promising electromagnetic conductors which could be related to nickel mineralisation. Drill testing is scheduled to commence in the next quarter.

Prospects

The Board has consistently adopted a cautious approach to the approval of new acquisitions. However, the positive trend in profitability and the renewed growth potential in each of the Group’s more material investments have already prompted the Investment Committee to consider further investment opportunities.

Statement of Directors' responsibilities

for the year ended 30 June 2011

The Directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of AfroCentric Investment Corporation Limited ("Company"), together with its subsidiaries ("Group"). The Group and Company annual financial statements presented on pages 31 to 104 have been prepared in accordance with International Financial Reporting Standards, the South African Companies Act of 2008 and the Listings Requirements of the JSE Limited, and include amounts based on judgements and estimates made by management. In terms of the Companies Act 71 of 2008, and more particularly Schedule 5 thereof, reference is made to transitional arrangements. AfroCentric Investment Corporation Limited therefore has a period of two years, from 1 May 2011, to replace its existing Memorandum and Articles of Association with a Memorandum of Incorporation.

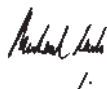
The Directors are also responsible for the Group and Company's system of internal financial control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the annual financial statements, and to adequately safeguard, verify and maintain accountability of the assets 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 years to 30 June 2015. Based on this review and in the light of the current financial position and available cash resources, the Directors are satisfied that the Group and Company 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 Group's and Company's funding requirements in the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the Group's and Company's annual financial statements.

The annual financial statements have been audited by the independent accounting and auditing firm, SizweNtsaluba VSP, who were 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.

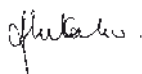
The audit opinion of SizweNtsaluba VSP is presented on page 30.

The annual financial statements set out on pages 31 to 104 have been approved by the Board of Directors and were signed on its behalf on 28 September 2011.



MI Sacks
Director

28 September 2011



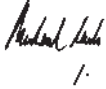
JM Kahn
Director

28 September 2011

Certificate of Company Secretary

for the year ended 30 June 2011

In my capacity as Company Secretary and in terms of Section 88 (2) (e) of the Companies Act No 71 of 2008 (as amended by the Companies Amendment Act 3 of 2011) I hereby certify that the Company has lodged with the Companies and Intellectual Property Commission all such returns and notices, and to the best of my knowledge and belief these appear to be true, correct and up to date.



MI Sacks
Company Secretary

28 September 2011

Independent Auditor's report

To the members of AfroCentric Investment Corporation Limited

We have audited the annual financial statements of AfroCentric Investment Corporation Limited Group and Company ("AfroCentric"), which comprise the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, as set out from pages 31 to 104.

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, the AC 500 standards as issued by the Accounting Practices Board 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 the annual 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 annual 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 annual financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the Company and of the Group as at 30 June 2011, and of the financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



SizweNtsaluba vSP
Registered Auditor
A Mthimunye

Johannesburg
29 September 2011

Governance report

AfroCentric's corporate governance philosophy

AfroCentric is a diversified investment holding company committed to good corporate governance, compliance with the provisions of the Companies Act and the JSE Listings Requirements. The Board of Directors ("the Board") currently maintains only substantial compliance with the corporate governance provisions of King III and where there may be inconsistencies, these are, as required, explained in this report.

The Board believes that its approach in such matters best serves shareholder value and the achievement of AfroCentric's vision and values for the benefit of all of the Group's stakeholders. The philosophy of the AfroCentric promoters has, from the outset, been to enhance the participation of previously disadvantaged South Africans in the economy in general and attain commercial success for the company in particular.

Introduction

Good corporate governance principles guide the Board in the conduct of its duties and are applied where possible to instill a similar culture of responsibility, accountability and integrity in the management of the subsidiary and associates.

The Board, its Chief Operations Officer and Company Secretary are at all times mindful of the importance of good corporate governance and its relevance and correlation for sustainability and profitability, more particularly on the following subjects:

- The role and composition of the Board;
- The appointment of directors and executive remuneration;
- The audit, accountability and control environment;
- The management of talent;
- The protocols of communication;
- The management of business risk; and
- The responsibility to the social and physical environment

It is important to communicate that AfroCentric has a small and efficient head office infrastructure, which nevertheless seeks to dictate the governance standards within the Group for sound control, discipline and efficiency. Board subcommittees and the Chief Operations Officer represent AfroCentric's stakeholder interests and monitor the governance and performance within Group enterprises.

Board of Directors

The Board currently consists of nine Directors, eight of whom are non-executive Directors. Six of the Directors are considered Independent in terms of the Companies Act 2008 (Act 71 of 2008) ("the Companies Act"). In terms of King III, Dr Bam and Messrs Kahn, Joffe and Sacks do not satisfy the requirement that Independent Directors should own no shares. Notwithstanding the aforesaid facts, their appointment to the Board is considered to be in the best interests of the Company. There is one Executive Director, the Financial Director Mr Wallace Holmes.

The Directors of AfroCentric are all highly qualified individuals and collectively possess a wide range of skills with many years of commercial experience. AfroCentric is confident that all of its Directors have the necessary expertise and experience to fulfil their duties and responsibilities.

On 1 September 2011, AfroCentric appointed two additional, independent, non-executive Directors. The additional Directors are:

- Mrs Yasmin Masithela; and
- Mr Garth Napier

Having been appointed between Annual General Meetings, both of these Directors will retire at the next Annual General Meeting but will offer themselves for re-election.

Governance report

A categorisation test has been conducted by the Audit Committee on all members of the Board. Based on the guidelines provided in the Companies Act, the conclusion of this test is included in the table set out below.

The Directors are as follows:

Name	Non-Executive	Executive	Independent (Companies Act definition)	Independent (King III definition)	Appointment date
NB Bam	✓	✗	✓	✗	20 Dec 2005
WRC Holmes	✗	✓	✗	✗	23 June 2010
B Joffe	✓	✗	✓	✗	25 May 2006
JM Kahn	✓	✗	✓	✗	20 Dec 2005
MJ Madungandaba	✓	✗	✗	✗	10 June 2010
Y Masithela	✓	✗	✓	✓	1 Sept 2011
AT Mokgokong	✓	✗	✗	✗	10 June 2010
G Napier	✓	✗	✓	✓	1 Sept 2011
MI Sacks	✓	✗	✓	✗	20 Dec 2005

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

The Chairperson, NB Bam is Non-Executive and ensures that no one individual has unfettered powers of decision-making and authority, ensuring that stakeholder interests are protected.

According to King III, the Board should comprise predominantly non-executive directors, of whom most should be independent. AfroCentric's Board is predominantly non-executive, with only two Directors considered Independent in terms of King III. Dr Bam and Messrs Kahn, Joffe and Sacks are not considered Independent owing to their shareholding in the Company, however their appointment as Directors (including Chairperson and Company Secretary) is considered to be in the best interests of the Company. King III also recommends that a Chief Executive Officer be present on the Board. At this time, and owing to the unique nature of AfroCentric, the position of a Chief Executive Officer is not required, and dispensation for this has been granted by the JSE.

The Directors of AfroCentric:

- Are required to disclose any conflicts of interest at Board meetings;
- 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 undertakes annual Board and Board committee evaluations (including individual evaluations of the Chairperson and every Director), as recommended by King III. There is also an induction programme for newly appointed Directors to familiarise them with the Company's operations, structure, sustainability and business environment.

Board/governance committees

AfroCentric has an Audit Committee, a Nomination/Remuneration and an Investment/Risk 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 the necessary transparency and disclosure.

A Social and Ethics Committee will be established during the next financial year (1 July 2011 to 30 June 2012) as per the Companies Act.

Virtually all of the Company's activities lie in the Group's operating subsidiaries and associates. Each of these entities has independent Boards of Directors and Board committees and satisfactorily subscribes to and complies with the rules and recommendations of Corporate Governance requirements.

Accordingly, save for Board Investment Committee meetings that are held to consider new opportunities, Board members engaged electronically during the year under review on various matters which included the consideration and approval of the interim and annual results, the declaration of a capital distribution and the process of selection and approval of the two additional Non-Executive Directors.

Issues relating to investment and risk matters were dealt with by the Board and the Investment/Risk Committee.

The AfroCentric Audit Committee

The functions of the Audit Committee include:

- Review the interim and year-end financial statements, and provide a recommendation to the Board regarding such financial statements;
- Attend and review the external audit reports and supply guidance for the use of external auditors for non-audit services;
- Review internal audit and risk management reports of the operating subsidiaries and/or associates with recommendations being made to the respective Board as the case may be;
- Receive and deal appropriately with any concerns or complaints, whether from within or outside the Company, or on its own initiative, relating to:
 - (i) the accounting practices and audit functions of the Company;
 - (ii) the content and auditing of the Company's financial statements;
 - (iii) the internal financial controls of the Company; or
 - (iv) any related matter;
- Review the effectiveness of the Group's systems of internal control, internal audit and risk management;
- The committee monitors the following and ensures that:
 - (i) financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS");
 - (ii) internal financial controls are in place and that AfroCentric is a going concern and when appropriate makes recommendations;
 - (iii) the external auditor is independent, that the audit fees (including non-audit services) are fair and reasonable, and nominates the appointment of an auditor;
 - (iv) there is an effective risk management process in place;
 - (v) the Financial Director has the necessary expertise and experience; and
 - (vi) AfroCentric is represented on the critical subcommittees of the boards of its subsidiaries and/or associates.

Members of the Audit Committee

The membership of the Audit Committee consists of two (2) Independent Non-executive Directors: Mrs Masithela and Mr Napier. Mr Sacks, albeit not considered independent according to King III, has been appointed a member of the Audit Committee in the best interests of the Company. W Holmes (Financial Director) and J Rothbart (Chief Operations Officer) are regular invitees to the Audit Committee meetings.

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

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

All members of the Audit Committee are considered independent in terms of the Companies Act. To the extent that any member's absolute independence is uncertain, the Board is satisfied that all appointments to the Audit Committee are in the best interests of the Company.

Governance report

Frequency of meetings and Audit Committee Report

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

The Audit Committee electronically reviewed the interim financial results and engaged in discussions prior to their recommendation to the Board for approval. The Audit Committee met on 22 September 2011 to review and recommend the financial results for the year ended 30 June 2011. The Audit Committee reviewed the Group results and reported satisfactorily on the resolution of matters involving impairments, bank accounts, dividends and distributions as well as King III requirements.

Independence of audit

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

Expertise and experience of Financial Director

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

Recommendation to the Board

The Audit Committee is satisfied that AfroCentric has sufficient internal financial controls in place and that it is a going concern. It therefore recommended to the Board to accept and approve the Annual Financial Statements for the year under review (year ended 30 June 2011).

AfroCentric Investment Committee

The Investment Committee consists of Messrs Joffe Kahn, Madungandaba and Sacks. The committee meets regularly to discuss potential acquisitions during the year under review. No acquisitions appropriately satisfied AfroCentric's investment criteria and none were approved.

AfroCentric Nomination/Remuneration Committee

The Nomination and Remuneration Committee consists of Messrs Kahn and Sacks. The committee engaged on the matter of appointing new Non-Executive Directors to the Board. After a rigorous process and with the approval of the Board, Mrs Masithela and Mr Napier were duly appointed.

Directors' report

The Directors have pleasure in presenting their report for the year ended 30 June 2011, which forms part of the audited annual financial statements of the Group and the Company for the year then ended.

Business activities

AfroCentric is a black-owned, diversified investment holding company. It is listed on the JSE Limited ("the JSE") in the Healthcare Sector under the code: ACT. The Group's preference shares are also listed on the JSE under the code: ACTP.

Lethimvula Investments Limited

AfroCentric holds a substantial majority stake in Lethimvula Investments Limited ("Lethimvula"), and has increased its holding to 91,56% during the year under review, through the purchase of minority shareholdings in that company. AfroCentric continues to engage with those Lethimvula shareholders who offer their Lethimvula shares for sale. Lethimvula owns 100% of the shareholding in Medscheme Holdings (Pty) Limited, a multi-medical scheme administrator.

In 2010, Lethimvula acquired Old Mutual Healthcare and, during this financial year, successfully integrated the divisional services of this business with Lethimvula Healthcare (Pty) Limited and Medscheme Holdings (Pty) Limited respectively. For a proper appreciation, the income and expenditure incurred during the process of reconstruction and integration are best reflected as set out in the Consolidated Statement of Comprehensive Income. The net loss from this acquired healthcare business was converted during the year to a profit, which forms part of the 2011 Consolidated Statement of Comprehensive Income.

The vendors of shares in Lethimvula warranted profits that will average R180 million for the financial years ending 30 June 2011, 2012 and 2013. To the extent that the warranty is fulfilled, additional ordinary shares will be allotted in terms of a pre-determined formula.

Jasco Electronics Holdings Limited

AfroCentric has a 27,1% minority interest in JSE-listed Jasco Electronics Holdings Limited ("Jasco"). During the period under review, Jasco acquired 100% of the issued share capital of Spescom Limited, a company previously listed on the JSE. Jasco has successfully integrated the operations of Spescom and has delisted the entity. Jasco also has an investment in MaleselaTaihan Electric Cables (Pty) Limited ("M-Tec").

Jasco provides solutions, services and products to customers through three core divisions: Information and Communication Technologies, Industry Solutions and Energy Solutions. M-Tec is a leading manufacturer and distributor of fibre optic cable and a wide range of power and telecom cable, serving *inter alia*, the infrastructural development demands in the South African and African continental markets.

AfroCentric Resources

AfroCentric's exploration and prospecting relationship with Rio Tinto Plc continues in terms of the Reciprocal Strategic Co-Operation Agreement.

General

AfroCentric continues to develop opportunities in line with its philosophy of enhancing participation of historically disadvantaged South Africans through mentorship, strategic guidance and investment.

Group results

AfroCentric's Group earnings after tax increased from a loss of R3,2 million in 2010 to a profit of R126,5 million in the 2011 financial year.

Basic earnings per share ("EPS") increased from a loss of 2,53 cents in 2010 to 44,32 cents in 2011 and diluted basic EPS increased from a loss of 2,15 cents in 2010 to 37,64 cents in 2011.

Changes in share capital

AfroCentric's total issued share capital as of 30 June 2011 is 265 947 672 (2010: 262 432 568) ordinary shares. The increase in the issued share capital was a result of the Company issuing AfroCentric ordinary shares as payment for the purchase of Lethimvula shares from minority shareholders. Details of the Company's authorised and issued share capital are set out in note 21 of the annual financial statements.

Control of unissued share capital

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

Directors' report

Dividends and capital distributions

The Board of Directors has declared a distribution in the form of a capital reduction out of share premium of 9 cents per ordinary share for the year ended 30 June 2011. Preference shareholders will receive 25,48 cents per preference share.

Preference shareholders participate in the distribution on the basis that they are entitled to 15% of the aggregate distribution payable to ordinary and preference shareholders. The total payment in aggregate to ordinary and preference shareholders will amount to: R28 261 758.

The preference dividend is calculated according to the following formula:

$$\text{PrefDiv/Payment} = P \times 0,15 \times R/S$$

Where:

- **PrefDiv/Payment** = the total dividend or payment to be declared by the Board in respect of the redeemable preference shares as a class;
- **P** = the total dividend or payment to be declared by the Board in respect of ordinary shares and redeemable preference shares;
- **R** = the redeemable preference shares in issue at record date of the relevant dividend or payment; and
- **S** = the total number of redeemable preference shares issued in terms of the rights offer.

To calculate the preference dividend payable per redeemable preference share, the Rand value derived from applying the above formula is divided by "R".

Ordinary share certificates may not be dematerialised or rematerialised between Monday, 21 November 2011 and Friday, 25 November 2011 both days inclusive.

The salient dates relating to the cash distribution are as follows:

Last day to trade "cum" the cash distribution	Friday, 18 November 2011
Ordinary and preference shares commence trading ex the cash distribution	Monday, 21 November 2011
The cash distribution record date	Friday, 25 November 2011
Payment date of the cash distribution	Monday, 28 November 2011

Directors

The following acted as Directors during the year ended 30 June 2011:

Name	Appointment date
NB Bam* (Chairman)	20 December 2005
JM Kahn*	20 December 2005
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 (Dr Bam and Messrs Kahn, Joffe and Sacks are considered Independent in terms of the Companies Act)*

Subsequent to the end of the financial year at 30 June 2011, Mrs Y Masithela and Mr G Napier were appointed as Independent Non-Executive Directors.

Company secretary

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

Registered address:

10 Muswell Road South
Bryanston
2191

Postal address:

Private Bag X34
Benmore
2010

Shareholders' interest

Major shareholders

The major shareholders and the Directors' interests in ordinary shares and preference shares as at 30 June 2011 and 30 June 2010 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 2011

An analysis of holdings extracted from the register of ordinary shareholders as at 30 June 2011 is listed below:

Analysis of Directors' ordinary shares for the year ended 30 June* 2011

Director	Direct beneficial	Indirect beneficial	Held by associate	Total	%
NB Bam (Chairman)	150 000	-	-	150 000	0,006
JM Kahn	5 002 250	-	-	5 002 250	1,88
MI Sacks	2 259 925	-	3 760 000	6 019 925	2,26
B Joffe	-	-	3 600 000	3 600 000	1,35
WRC Holmes	-	-	-	-	-
AT Mokgokong	1 707 926	31 350 331	-	33 058 257	12,43
MJ Madungandaba	-	73 150 773	-	73 150 773	27,51

2010

Director	Direct beneficial	Indirect beneficial	Held by associate	Total	%
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	1,91
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	-	-	-	-	-
AT Mokgokong	1 707 926	31 350 331	-	33 058 257	12,60
MJ Madungandaba	-	73 150 773	-	73 150 773	27,87

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

Directors' report

Shareholders holding more than 5% of the issued share capital 2011

Shareholder	Number of shares	%
AfroCentric Empowerment Trust	47 100 000	17,71
Community Investment Holdings	49 426 916	18,58
Golden Pond Trading 175 (Pty) Limited	36 571 127	13,75
Community Healthcare Holdings (Pty) Limited	30 878 043	11,61
Total	163 976 086	61,65

2010

Shareholder	Number of shares	%
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

* Note: Total issued ordinary shares as of 30 June 2011 265 947 672

Spread of ordinary shareholders

	2011			2010		
	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
Public shareholders	3 110	60 782 340	22,90	3 172	57 267 236	21,82
Non-public shareholders						
Directors	6	114 134 205	42,92	8	114 134 205	43,49
Associate of Directors	2	7 360 000	2,77	2	7 360 000	2,80
Shareholders owning 10% or more of the securities (excluding directors' indirect beneficial holdings)	2	83 671 127	31,46	2	83 671 127	31,88
Total	3 120	265 947 672	100,00	3 184	262 432 568	100,00
Shareholders owning 5% or more						
AfroCentric Empowerment Trust		47 100 000	17,71		47 100 000	17,95
Community Investment Holdings		49 426 916	18,58		49 426 916	18,83
Community Healthcare Holdings		30 878 043	11,61		30 878 043	11,77
Golden Pond Trading 175 (Pty) Limited		36 571 127	13,75		36 571 127	13,94
Total		163 976 086	61,65		163 976 086	62,49

Analysis of Directors' preference shares for the year ended 30 June 2011*
2011

Director	Direct beneficial	Indirect beneficial	Held by associate	Total	%
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

2010

Director	Direct beneficial	Indirect beneficial	Held by associate	Total	%
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

* 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
2011

Shareholder	Number of shares	%
JM Kahn	3 784 981	22,75
MI Sacks	3 784 981	22,75
JDL Trust	2 548 182	15,31
Eagle Creek Investments 605 (Pty) Limited	3 636 800	21,86

2010

Shareholder	Number of shares	%
JM Kahn	3 784 981	22,75
MI Sacks	3 784 981	22,75
JDL Trust	2 548 182	15,31
Eagle Creek Investments 605 (Pty) Limited	3 636 800	21,86

Spread of preference shareholders

	2011			2010		
	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
Public shareholders	157	2 883 056	17,33	164	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	161	16 638 000	100,00	168	16 638 000	100,00

Directors' report

Directors' remuneration

Dr NB Bam received a fee of R60 000 for her services as Chairperson in 2011 (2010: R50 000).

There were no other emoluments paid to Directors. The remuneration policy is reviewed by the Directors, and will be assessed in light of the scope and nature of the Company's operations.

Directors' service contracts

At the date hereof, none of the Directors has entered into a service contract with the Company. AfroCentric has a permanent Chief Operations Officer, who implements the instructions of the Board of Directors. Messrs Joffe, Kahn, Madungandaba, Sacks and Dr Mokgokong do not receive any management or Director's fees from the company.

Directors' interests in contracts

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

Share incentive scheme

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

At 30 June 2011 a total of zero shares or options have been issued in terms of the scheme, however the Company is contractually bound in terms of the Lethimvula acquisition agreement to award certain executives up to a total of 20 million ordinary shares.

Due to amendments to the JSE Listing Requirements the share incentive scheme ("scheme") has been amended and the salient features of the amended scheme are as follows:

- The total number of ordinary shares which may be made available to incentivise participants of the AfroCentric Group shall not exceed 51 599 899 ordinary shares, unless prior authority of the AfroCentric shareholders and the JSE has been obtained.
- The total number of ordinary shares which may be acquired by any one participant under the scheme shall not be more than 7 739 984 ordinary shares, unless prior authority of the AfroCentric shareholders and the JSE has been obtained.
- A trustee may not be a participant under the scheme.
- Participants in the scheme may be officers or other employees of the Company, including, but not limited to, Executive and Non-Executive Directors. Participants may be offered the opportunity to acquire shares in two ways in terms of either the "offer to purchase scheme" or the "option scheme".
- Under the offer to purchase 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 share price per share payable by a participant shall be not less than the volume weighted average price at which shares are traded on the JSE on the five trading days immediately preceding the date upon which the Remuneration Committee makes its written recommendation to the Board, who directs that the relevant shares are made available to participants.
- 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 scheme shares purchase price.
- 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, no scheme shares shall be released from the scheme until the year specified in the relevant offer to purchase is reached.
- 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 to cancel that sale in terms of which those scheme shares were acquired and 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 trustees may, if the Board so directs, offer participants options (“share options”) via the option scheme to purchase scheme shares. Each share option shall confer upon the holder thereof the right to purchase scheme shares;
- The amount payable by a participant for his scheme shares shall be calculated as stated hereinbefore;
- 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 Memorandum of Incorporation 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 2011 %	June 2010 %
	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	Financing	*	100,00	100,00
Jasco Electronics Holdings Limited		ICT, Industry and Energy	146 399	27,11	34,90

* Less than R1 000

Property, plant and equipment

The Group’s property, plant and equipment amounted to R101 million in 2011 (2010: R125 million).

Auditors

SizweNtsaluba VSP is available to continue in office as auditors in accordance with Section 90 of the Companies Act 71 of 2008.

Material commitments, lease payments and contingent liabilities

No material capital commitments or lease payments have been contracted for or approved by the Directors of AfroCentric. AfroCentric has no contingent liabilities at balance sheet date.

Material resolutions

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

1. Declaration of capital distribution.
2. Appointment of non-executive directors.

Annual Group financial statements

Consolidated statements of financial position

as at 30 June 2011

	Notes	Group 30 June 2011 R'000	Group 30 June 2010 R'000	Company 30 June 2011 R'000	Company 30 June 2010 R'000
ASSETS					
Non-current assets		951 923	958 794	142 850	150 634
Property, plant and equipment	7	101 083	125 311	-	-
Investment property	8	10 100	8 543	-	-
Intangible assets	9	609 552	576 438	-	-
Unlisted investment		280	280	280	280
Investments in associates	11	63 859	69 788	40 088	50 354
Investments in subsidiaries	13	-	-	-	-
Investment in preference shares	14	100 000	100 000	100 000	100 000
Deferred income tax assets	15	67 049	78 434	2 482	-
Current assets		291 064	216 871	463 822	427 588
Trade and other receivables	16	93 010	80 123	773	-
Loans to Group companies	17	-	-	452 777	417 200
Receivables from associates and joint venture	18	18 039	14 224	-	-
Cash and cash equivalents	19	180 015	122 524	10 272	10 388
Total assets		1 242 987	1 175 665	606 672	578 222
EQUITY AND LIABILITIES					
Capital and reserves		726 850	620 286	563 115	560 969
Issued ordinary share capital	21	2 659	2 624	2 659	2 624
Issued preference share capital	21	166	166	166	166
Share premium	21	369 235	386 650	369 235	386 650
Contingent shares to be issued	21	188 540	188 540	188 540	188 540
Foreign currency translation reserve		241	-	-	-
Treasury shares		(1 162)	(610)	-	-
Retained earnings/(accumulated loss)		167 171	42 916	2 515	(17 011)
Non-controlling interest	22	20 786	21 777	-	-
Total equity		747 636	642 063	563 115	560 969
Non-current liabilities		304 129	306 575	-	-
Deferred income tax liabilities	15	37 273	42 443	-	-
Borrowings	23	200 000	162 072	-	-
Provisions	25	41 600	66 067	-	-
Post-employment medical obligations	26	3 821	3 866	-	-
Accrual for straight-lining of leases	27	21 435	32 127	-	-
Current liabilities		191 222	227 027	43 557	17 253
Loans from Group companies	24	-	-	35 480	8 812
Provisions	25	20 378	18 347	-	-
Trade and other payables	28	76 334	108 546	773	129
Current income taxation liability		8 495	3 224	-	325
Bank overdraft	19	7 304	7 987	7 304	7 987
Employment benefit provisions	29	78 711	88 923	-	-
Total liabilities		495 351	533 602	43 557	17 253
Total equity and liabilities		1 242 987	1 175 665	606 672	578 222

These financial statements were prepared by WRC Holmes CA(SA), CFO of AfroCentric Investment Corporation Limited

Consolidated statements of comprehensive income

for the year ended 30 June 2011

	Notes	Group 30 June 2011 R'000	Group 30 June 2010 R'000	Company 30 June 2011 R'000	Company 30 June 2010 R'000
Continuing operations					
Gross revenue	30	1 351 254	1 263 414	-	-
Other income		31 978	23 425	25 142	7 485
Administrative expenses		(1 128 141)	(1 090 786)	(4 401)	(3 428)
Net finance (costs)/income	32	1 478	(2 350)	6 245	8 129
- Finance income		17 138	20 251	8 049	9 034
- Finance costs		(15 660)	(22 601)	(1 804)	(905)
Core healthcare profit		256 569	193 703	26 986	12 186
Net loss from acquired healthcare business		-	(43 056)	-	-
- Revenue	30	-	92 917	-	-
- Expenses		-	(135 973)	-	-
Healthcare profit before associates		256 569	150 647	26 986	12 186
Share of profit from associates		10 888	14 017	-	-
Profit before impairment and amortisation		267 457	164 664	26 986	12 186
Depreciation		(44 170)	(42 995)	-	-
Impairment of investment		(10 266)	(67 313)	(10 266)	(51 565)
Impairment of intangible assets		(4 958)	(8 405)	-	-
Amortisation of intangible assets		(35 542)	(30 291)	-	-
Profit/(loss) before income tax	31	172 521	15 660	16 720	(39 379)
Income tax	33	(45 982)	(18 027)	2 806	(1 069)
Profit/(loss) for the year from continued operations		126 539	(2 367)	19 526	(40 448)
Loss from discontinued operations	20	-	(847)	-	-
Profit/(loss) for the year		126 539	(3 214)	19 526	(40 448)
Other comprehensive income		-	-	-	-
Total comprehensive profit/(loss) for the year		126 539	(3 214)	19 526	(40 448)
Attributable to:					
Equity holders of the parent		117 248	(7 413)	19 526	(40 448)
Non-controlling interest		9 291	4 199	-	-
		126 539	(3 214)	19 526	(40 448)
(Loss)/earnings per share (cents) attributable to equity holders of the parent					
- Basic	34	44,32	(2,53)	-	-
- Diluted	34	37,64	(2,15)	-	-

Annual Group financial statements

Consolidated statement of changes in equity

for the year ended 30 June 2011

	Ordinary share capital R'000	Pre-ference share capital R'000	Share premium R'000	Con-tingent shares to be issued R'000	Foreign currency trans-lation reserve R'000	Treasury shares R'000	Share based payment reserve R'000	Retained earnings R'000	Non-con-trolling interest R'000	Total equity R'000
Group										
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
Net loss for the year	-	-	-	-	-	-	-	(7 413)	4 199	(3 214)
Share buy-back from minorities	-	-	-	-	-	-	-	-	(14 361)	(14 361)
Treasury shares issued	-	-	-	-	-	(610)	-	-	-	(610)
Revaluation of share based payment liability	-	-	-	-	-	-	(624)	-	-	(624)
Balance as at 1 July 2010	2 624	166	386 650	188 540	-	(610)	-	42 916	21 777	642 063
Issue of share capital	35	-	5 961	-	-	-	-	-	-	5 996
Foreign currency translation reserve	-	-	-	-	241	-	-	-	-	241
Treasury shares revalued	-	-	-	-	-	(552)	-	-	-	(552)
Transfer from minorities as a result of share buy-backs	-	-	-	-	-	-	-	7 007	(7 007)	-
Dividends paid	-	-	(23 376)	-	-	-	-	-	(3 275)	(26 651)
Net profit for the year	-	-	-	-	-	-	-	117 248	9 291	126 539
Balance as at 30 June 2011	2 659	166	369 235	188 540	241	(1 162)	-	167 171	20 786	747 636

	Ordinary share capital R'000	Preference share capital R'000	Share premium R'000	Contingent shares to be issued R'000	Retained earnings R'000	Total equity R'000
Company						
Balance as at 1 July 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
Issue of share capital	35	-	5 961	-	-	5 996
Dividends paid	-	-	(23 376)	-	-	(23 376)
Net profit for the year	-	-	-	-	19 526	19 526
Balance as at 30 June 2011	2 659	166	369 235	188 540	2 515	563 115

Consolidated statement of cash flows

for the year ended 30 June 2011

	Notes	Group 30 June 2011 R'000	Group 30 June 2010 R'000	Company 30 June 2011 R'000	Company 30 June 2010 R'000
Cash flows from operating activities					
Cash generated from/(utilised in) operations	35	163 049	174 803	20 612	8 653
Finance income		17 138	28 593	8 049	17 376
Finance costs		(15 426)	(16 703)	(1 804)	(905)
Dividends paid		(26 035)	-	(23 376)	-
Income tax paid	36	(34 733)	(70 859)	-	(1 821)
Net cash generated from/(utilised in) operating activities		103 993	115 834	3 481	23 303
Cash flows from investing activities					
Disposal/(acquisition) of subsidiaries		-	87 618	-	-
Disposal of cash portion of discontinued operation		-	(64 146)	-	-
Purchase of property, plant and equipment		(22 869)	(59 327)	-	-
Purchase of investment property		-	(8 543)	-	-
Increase in intangible assets		(55 016)	(32 049)	-	-
Refund on purchase of subsidiary		-	23 817	-	-
Proceeds on disposal of property, plant and equipment		2 898	-	-	-
Proceeds on disposal of intangible assets		5 603	-	-	-
Increase in shareholding of ACL Mauritius		(21 135)	-	-	-
Dividends received from associates		948	-	-	-
Decrease in investment and loans to associates		702	(7 582)	-	-
Finance income		-	(8 342)	-	(8 342)
Net cash (outflow)/inflow from investing activities		(88 869)	(68 554)	-	(8 342)
Cash flows from financing activities					
Dividends paid to minorities		(874)	-	-	-
Shares issued		5 996	-	5 996	-
Decrease in minorities		-	(15 108)	-	-
Increase/(decrease) in borrowings		37 928	6 326	-	(1 500)
Increase in loans to Group companies		-	-	(8 910)	(12 545)
Net cash (outflow)/inflow from financing activities		43 050	(8 782)	(2 914)	(14 045)
Net cash flow for continuing operations		58 174	38 498	567	916
Net cash flow from discontinued operation		-	-	-	-
Net increase/(decrease) in cash and cash equivalents		58 174	38 498	567	916
Cash and cash equivalents at beginning of year		114 537	76 039	2 401	1 485
Cash and cash equivalents at end of year		172 711	114 537	2 968	2 401
Disclosed as follows:					
Cash and cash equivalents		180 015	122 524	10 272	10 388
Bank overdraft		(7 304)	(7 987)	(7 304)	(7 987)
		172 711	114 537	2 968	2 401

Notes to the Group financial statements

for the year ended 30 June 2011

1 *Summary of accounting policies*

General information

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

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

These consolidated annual financial statements have been approved for issue by the Board of Directors on 28 September 2011.

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 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 2011.

1.1 a) *Amendments to published standards effective in 2011, but not relevant to the company's operations*

The following amendments are a collection of improvements made to IFRSs. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project. Effective 1 January 2010:

IFRS	Subject of amendment
IFRS 2 Share-Based Payment	Scope of IFRS 2 and revised IFRS 3
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations
IAS 1 Presentation of Financial Statements	Current/non-current classification of convertible instruments
IAS 7 Statement of Cash Flows	Classification of expenditures on unrecognised assets IAS 17
IAS 18 Revenue	Determining whether an entity is acting as a principal or as an agent
IAS 36 Impairment of Assets	Unit of accounting for goodwill impairment test IAS
IAS 39 Financial Instruments: Recognition and Measurement	Treating loan prepayment penalties as closely related embedded derivatives Scope exemption for business combination contracts Cash flow hedge accounting

b) *Amendments to published standards effective in 2010, relevant to the Company's operations*

The following amendments to published standards are mandatory for the Company's accounting years beginning on or after 1 January 2010:

IAS 38 Intangible Assets (amendment).

Additional consequential amendments arising from revised IFRS 3, and measuring the fair value of an intangible asset acquired in a business combination.

1 *Summary of accounting policies (continued)*

Statement of compliance (continued)

1.1 c) *Amendments to published standards effective in 2010, relevant to the Company's operations (continued)*

The amendments are applied prospectively. During the current financial period, only one acquisition occurred. The investment in Administrators and Consultants Limited was increased from 30% to 100%. The amendments to IAS 38 were applied in determining the criteria for initial recognition and fair value of intangible assets acquired in the business combination.

IAS 17 Leases (amendment) – Classification of leases of land and buildings

The amendment deals with leases that include both land and buildings elements where an entity assesses the classification of each element as a finance or an operating lease separately in accordance with paragraphs 7-13. In determining whether the land element is an operating or a finance lease, an important consideration is that land normally has an indefinite economic life.

The Company does have lease contracts in place over land and buildings, but these are of short-term nature. Therefore this amendment, although relevant, does not apply to the Company's operations.

d) *Interpretations effective in 2010 but not relevant to the Company's operations*

IFRIC 9 (amended) Reassessment of Embedded Derivatives is mandatory for accounting years commencing on or after 1 July 2009.

IFRIC 16 (amended) Hedges of a Net Investment in a Foreign Operation, is mandatory for accounting years commencing on or after 1 July 2009.

IFRIC 17 Distribution of Non-cash Assets to Owners, is mandatory for accounting years commencing on or after 1 July 2009.

IFRIC 18, 'Transfers of Assets from Customers', is mandatory for accounting years commencing on or after 1 July 2009.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, is mandatory for accounting years commencing on or after 1 April 2010.

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

IAS 24 Related Party Disclosures. This amendment simplifies the disclosure requirements for government-related entities and provides clarification of the definition of a related party. Effective date: 1 January 2011.

Improvements to IFRSs. This is a collection of amendments to IFRSs. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements projects. Effective date: 1 January 2011.

Amendments to IFRS 1 First Time Adoption on hyperinflation and fixed dates. Standard amended to provide guidance for entities emerging from severe hyperinflation and resuming presentation of IFRS compliant financial statements, or presenting IFRS compliant financial statements for the first time. The other amendment removes the fixed date of 1 January 2004 relating to the retrospective application of the derecognition requirements of IAS 39, and relief for first time adopters from calculating day 1 gains on transactions that occurred before the date of adoption.

IFRS 7 Transfer of Financial Assets Disclosure. The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that financial statements did not allow users to understand the ongoing risks the entity faced due to derecognised receivables and other financial asset. Effective date: 1 July 2011.

Notes to the Group financial statements

for the year ended 30 June 2011

1 *Summary of accounting policies (continued)*

f) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (continued)*

IAS 12 income taxes on Deferred Tax. Currently IAS 12 Income Taxes requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21 Income taxes – recovery of revalued non-depreciable assets, would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn. Effective date: 1 January 2012.

IFRS 9 Financial Instruments. This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Effective date: 1 January 2013.

IFRIC 14 Prepayments of a Minimum Funding Requirement. This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. Effective date: 1 January 2011.

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 annual financial statements.

Basis of presentation

The annual 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.
- Investment property is held at fair value using independent market valuations.

The preparation of the annual financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the annual financial statements and the reported amounts of revenues and expenses during the reporting periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Basis of consolidation

Subsidiaries

The consolidated annual financial statements incorporate the annual 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 37 Conrad Road, Florida North, Roodepoort, 1709. 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.

1 *Summary of accounting policies (continued)*

Basis of consolidation (continued)

Subsidiaries (continued)

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 annual 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 13 to the group annual financial statements.

Business combinations

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

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

Associates are entities 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% and 50% of the voting rights.

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

Investments in associates are accounted for by the equity method of accounting. Under this method the 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.

Notes to the Group financial statements

for the year ended 30 June 2011

1 *Summary of accounting policies (continued)*

Basis of consolidation (continued)

Associates (continued)

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 12 months ended 30 June 2011 based on audited results 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 annual financial statements.

The annual 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 11 and 12 to the Group annual financial statements.

Foreign currency translation

Functional and presentation currency

Items included in the annual financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

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

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.

1 *Summary of accounting policies (continued)*

Foreign currency translation (continued)

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 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 | 6 years |
| ■ Motor vehicles | 5 years |
| ■ Computer equipment | 3 to 5 years |

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

Notes to the Group financial statements

for the year ended 30 June 2011

1 *Summary of accounting policies (continued)*

Tangible assets (continued)

Property, plant and equipment (continued)

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 cost.

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 gain 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.

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.

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 its useful life. 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.

1 *Summary of accounting policies (continued)*

Intangible assets (continued)

Internally generated computer software development costs

Costs associated with developing computer software programmes 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 programmes 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 fifteen 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.

Notes to the Group financial statements

for the year ended 30 June 2011

1 *Summary of accounting policies (continued)*

Impairment of assets (continued)

Impairment of tangible and intangible 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.

1 *Summary of accounting policies (continued)*

Financial assets

A financial asset is any asset that is:

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

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

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 Company's right to receive payment is established. The fair values of quoted instruments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Notes to the Group financial statements

for the year ended 30 June 2011

1 *Summary of accounting policies (continued)*

Financial assets (continued)

Financial assets at fair value through profit and loss (continued)

Financial assets designated as at fair value through profit and loss at inception are those that are:

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

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

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:

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

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

1 Summary of accounting policies (continued)

Financial assets (continued)

Held to maturity financial assets (continued)

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:

- (i) 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;
- (ii) occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- (iii) 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.

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. Loans and receivables 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 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'.

Notes to the Group financial statements

for the year ended 30 June 2011

1 *Summary of accounting policies (continued)*

Financial assets (continued)

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) a contractual obligation:
 - (i) to deliver cash or another financial asset to another entity; or
 - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) a contract that will or may be settled in the entity's own equity instruments and is:
 - (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments; or
 - (iii) 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. 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.

Contingent liabilities

Contingent liabilities have been recognised as part of business combinations detailed in note 5. Contingent liabilities are liabilities for which a reliable estimate can be made, yet the probability of an outflow of economic benefits is remote.

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

1 *Summary of accounting policies (continued)*

Financial liabilities (continued)

Contingent liabilities acquired as part of a business combination

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

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

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.

Notes to the Group financial statements

for the year ended 30 June 2011

1 *Summary of accounting policies (continued)*

Employee costs (continued)

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. The Company has a 13th cheque salary structuring mechanism and an incentive scheme. 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 Company performance of both the individual and the Company.

Investments in subsidiaries, associates and joint venture

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

Revenue and expense recognition

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

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

Administration fees

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

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.

Dividend income

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

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 annual 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% (June 2010: 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% (June 2010: 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 annual 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.

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.

Notes to the Group financial statements

for the year ended 30 June 2011

1 *Summary of accounting policies (continued)*

Discontinued operations (continued)

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

- (i) the post-tax profit or loss of discontinued operations; and
- (ii) 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 annual financial statements present financial information about the Group as that of a single economic entity, the following steps are then taken:

- (i) 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 5: Business Combinations which describes the treatment of any resultant goodwill);
- (ii) Minority interests in the profit or loss of consolidated subsidiaries for the reporting period are identified; and
- (iii) 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*

Acquisition of Administrators and Consultants Limited by Medscheme Holdings (Pty) Limited

As part of the purchase price allocation of the Administrators and Consultants Limited transaction in October 2010, 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 is 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 20,81% was used, which was considered to be appropriate for the industry in which Administrators and Consultants Limited operates at the date of acquisition. The useful life of this intangible asset has been estimated to be five years.

Computer software

Administrators and Consultants Limited operates the following operational software systems:

- Administrators and Consultants Limited uses the Schema 6 system to assist with the administration of healthcare members. The value of the Schema 6 system was determined using the cost approach based on the costs incurred to replace the intellectual property. The Schema 6 system useful life has been assessed at 10 years.

Acquisition of Medscheme Limited by Lethimvula Investments Limited

As part of the purchase price allocation of the Medscheme Limited transaction in September 2006, 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 is considered to be an intangible asset.

2 *Critical accounting estimates and assumptions (continued)*

Acquisition of Medscheme Limited by Lethimvula Investments Limited (continued)

The discounted cash flow technique was used to value the customer contracts at the date of acquisition.

Operating profits before tax based on 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.

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 Investments Limited operates the following operational software systems:

- Lethimvula Investments 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 30 June 2013.
- The Nexus Administration system is used to manage the data of all clients within the Lethimvula group. No technology was therefore acquired relating to the use of this system as part of the business combination.

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

Brand

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

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.

Notes to the Group financial statements

for the year ended 30 June 2011

2 *Critical accounting estimates and assumptions (continued)*

Acquisition of Medscheme Limited by Lethimvula Investments Limited (continued)

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.

Intellectual property

Acquired intellectual property from business combinations is recognised at fair value at acquisition date. Intellectual property intangible assets are amortised using the straight-line method over their useful lives of five years. 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.

Onerous lease provision

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

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

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:

- (i) The lease transfers ownership of the asset to the lessee by the end of the lease term;
- (ii) 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;
- (iii) The lease term is for the major part of the economic life of the asset even if title is not transferred;
- (iv) 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
- (v) 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.

2 *Critical accounting estimates and assumptions (continued)*

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 2011:

■ deferred tax assets	R67 million (June 2010: R78,4 million)
■ deferred tax liabilities	R37,3 million (June 2010: R42,4 million)
■ taxation liability	R8,5 million (June 2010: R3,2 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 9 in these annual 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 2011 was R111,2 million (June 2010: R133,8 million) and R609,6 million (June 2010: R576,4 million) respectively.

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.

Notes to the Group financial statements

for the year ended 30 June 2011

3 *Financial risk management (continued)*

General (continued)

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 Company 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 R28,9 million (June 2010: R4,95 million) and R6,5 million (June 2010: R5,6 million) respectively. The impact of foreign exchange risk on profit and loss amounted to a profit of R1,1 million (June 2010: R0,093 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.

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

3 *Financial risk management (continued)*

Interest rate risks

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

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair value; and
- 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 2011	
Preference dividend	(142)
Bank borrowings	75
Onerous lease provision	448
Bank balances and short-term investments	1 220
Total	1 601
June 2010	
Preference dividend	(143)
Bank borrowings	1 818
Onerous lease provision	717
Bank balances and short-term investments	94
Total	2 486

Under these assumptions, a 1% increase in market interest rates at 30 June 2011 would decrease profit before tax by approximately R1,6 million (June 2010: R2,486 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.

Notes to the Group financial statements

for the year ended 30 June 2011

3 Financial risk management (continued)

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

Time buckets applicable to the Group:

	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	More than 1 year R'000	Total R'000
Group						
June 2011						
Borrowings	-	-	-	-	200 000	200 000
Trade payables	60 757	6 419	4 579	4 579	-	76 334
Bank overdraft	7 304	-	-	-	-	7 304
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

Time buckets applicable to the Company:

	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	More than 1 year R'000	Total R'000
Company						
June 2011						
Loans from Group companies	35 480	-	-	-	-	35 480
Trade payables	773	-	-	-	-	773
Bank overdraft	7 304	-	-	-	-	7 304
June 2010						
Loans from Group companies	8 812	-	-	-	-	8 812
Trade payables	129	-	-	-	-	129
Bank overdraft	7 987	-	-	-	-	7 987

3 Financial risk management (continued)

The table below analyses all undiscounted cash flows from financial assets into the time buckets that they are contractually due to be received.

Time buckets applicable to the Group:

	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
June 2011					
Trade and other receivables	83 075	2 892	2 892	4 151	93 010
June 2010					
Trade and other receivables	57 459	9 807	5 990	6 867*	80 123

* This includes prepayments and deposits. These are not considered past due as no repayment terms are applicable to them

Time buckets applicable to the Company:

	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
June 2011					
Trade and other receivables	773	-	-	-	773
June 2010					
Trade and other receivables	-	-	-	-	-

Notes to the Group financial statements

for the year ended 30 June 2011

3 Financial risk management (continued)

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

Description per the statement of financial position	Fair value	Amortised cost R'000	Group June 2011 R'000 Carrying value	Group June 2010 R'000	Company June 2011 R'000 Carrying value	Company June 2010 R'000
Loans and receivables						
Trade and other receivables		✓	93 010	80 123	773	-
Cash and cash equivalents		✓	180 015	122 524	10 272	10 388
Financial liabilities measured at amortised cost						
Borrowings		✓	200 000	162 072	-	-
Trade and other payables		✓	76 336	108 546	774	129
Bank overdraft		✓	7 304	7 897	7 304	7 987

Capital risk management

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

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

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

4 Change in accounting estimate

The directors of Lethimvula Investments Limited have re-assessed the useful life of the Nexus IT system. The useful life has been increased from eight years to 15 years. The Nexus IT system comprises internally generated development costs. An annual impairment test is performed to determine any necessary impairment. The effect of the change in estimate on the annual financial statements is as follows:

	June 2011 Gross	June 2011 Tax	June 2011 Net
Accumulated amortisation – Statement of financial position	1 242 343	-	1 242 343
Amortisation – Statement of comprehensive income	(1 242 343)	372 703	(869 640)

The change in useful life will not affect the 2010 comparatives as the change has been applied prospectively in accordance with IAS 8.

5 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 LIL 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 remained 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 the date of acquisition as indicated below:

	Maximum loss R’000	Probability %	Fair value R’000
2011			
Asset finance transaction	31 562	50	15 781
Neil Harvey & Associates	83 500	10	8 350
	115 062		24 131
2010			
Asset finance transaction	63 122	50	31 561
Neil Harvey & Associates	83 500	10	8 350
	146 622		39 911

	2011 R’000	2010 R’000
Carrying amount of IFRS 3 contingent liabilities at beginning of year	39 911	55 691
Fair value adjustments	(15 780)	(15 780)
Carrying amount of IFRS 3 contingent liabilities at end of period	24 131	39 911

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 ‘Provisions’, note 25.

Acquisitions

On 1 October 2011, Medscheme Holdings (Pty) Limited completed the acquisition of a further 70% of the shares of Administrators and Consultants Limited. This foreign company registered in Mauritius was previously recognised as an associate under the equity method. The shareholders of Lethimvula Investments Limited have acquired this business in line with its strategy to expand its market share of administration and managed healthcare clients in the Healthcare Industry on an international level. The Group’s shareholding has increased from 30% to 100%.

Notes to the Group financial statements

for the year ended 30 June 2011

5 Business combinations (continued)

Acquisitions (continued)

The acquisition of Administrators and Consultants Limited is being accounted for using the purchase price method of accounting, which requires that the assets and liabilities of Administrators and Consultants Limited, be measured at fair value at 1 October 2010.

The net asset value of Administrators and Consultants Limited after being capitalised was R28,89 million.

Intangible assets arising from the purchase of subsidiary companies

At the time of the purchase of Administrators and Consultants 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 intangible asset types were identified: those relating to the Administration business and those relating to intellectual property acquired on developed IT software. The expected cash flows using a market related operational model and discounted at the considered weighted average cost of capital gave rise to the intangible assets and goodwill.

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:

- Administrators and Consultants Limited	18,22%
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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 October 2010, and the resulting goodwill, are presented below.

Administrators and Consultants Limited

	1 October 2010	
	R'000	R'000
Net cash outflow for purchase of 70% shareholding		21 133
Foreign exchange loss		(1 011)
Fair value of consideration paid for 70% shareholding		20 122
Existing carrying value of 30% associate		5 864
Fair value profit recognised on 30% associate value		2 909
Fair value of consideration for 100% shareholding		28 895
Fair value of 100% net asset value at acquisition		(8 059)
Net fair value of intangibles acquired		(5 438)
Value of customer relationships acquired – Healthcare administration	6 139	
Value of intellectual property acquired – System 6 software	1 415	
Deferred taxation on intangible assets	(2 116)	
Goodwill arising from acquisition		15 398

The goodwill arising from the acquisition of Administrators and Consultants Limited is attributable to the increased profitability anticipated as a result of the potential growth in the Group's products in the international market.

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.

6 Segment information

	Healthcare admini- stration R'000	Electronics R'000	Treasury R'000	Admini- stration R'000	Elimination R'000	Group R'000
2011						
Continuing operations						
Gross revenue	1 351 254	-	-	-	-	1 351 254
Other income	31 071	-	-	25 142	(24 235)	31 978
Administration expenses	(1 134 530)	-	-	(4 400)	10 789	(1 128 141)
Amortisation of intangibles	(35 770)	-	-	-	228	(35 542)
Depreciation	(44 170)	-	-	-	-	(44 170)
Impairment of intangibles	-	-	-	(5 912)	954	(4 958)
Impairment of investment	-	-	-	(10 266)	-	(10 266)
Net finance income	8 496	-	8 049	(15 067)	-	1 478
- Finance income	8 968	-	8 049	1 214	(1 093)	17 138
- Finance cost	(472)	-	-	(16 281)	1 093	(15 660)
Share of profit of associate	8 741	2 147	-	-	-	10 888
Profit/(loss) before taxation	185 092	2 147	8 049	(10 503)	(12 264)	172 521
Income tax expense	(45 844)	-	(1 763)	2 806	(1 181)	(45 982)
Profit/(loss) for the year	139 248	2 147	6 286	(7 697)	(13 445)	126 539
Segment assets	874 384	-	110 272	1 318 453	(1 060 122)	1 242 987
Segment liabilities	248 072	-	252 746	496 334	(501 800)	495 352
Capital expenditure	(55 794)	-	-	(84)	-	(55 878)
Depreciation and amortisation	(79 940)	-	-	-	228	(79 712)
Impairment of investment	-	-	-	(10 266)	-	(10 266)
Impairment provision against intangible assets	-	-	-	(5 912)	954	(4 958)

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.

Notes to the Group financial statements

for the year ended 30 June 2011

6 Segment information (continued)

	Healthcare admini- stration R'000	Electronics R'000	Treasury R'000	Admini- stration 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	17 143	8 657	9 034	(67 930)	48 756	15 660
Income tax expense	(6 536)	-	(1 832)	(1 069)	(8 590)	(18 027)
Profit/(loss) from continuing operations	10 608	8 657	7 202	(68 999)	40 165	(2 367)
Loss from discontinued operation	(847)	-	-	-	-	(847)
Profit/(loss) for the year	9 761	8 657	7 202	(68 999)	40 165	(3 214)
Segment assets	836 519	-	110 388	1 116 571	(887 813)	1 175 665
Segment liabilities	316 878	-	188 301	555 602	(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)

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.

7 *Property, plant and equipment*

	Motor vehicles R'000	Building infra- structure R'000	Computer equipment R'000	Furniture and fittings R'000	Office equipment R'000	Total R'000
Group						
Period ended						
30 June 2011						
Opening carrying amount	470	-	80 035	32 264	12 542	125 311
Additions	703	352	17 548	2 848	1 418	22 869
Disposals	(536)	-	(1 174)	(601)	(470)	(2 781)
Depreciation charge	(144)	(17)	(32 423)	(8 934)	(2 652)	(44 170)
Impairments	-	-	(80)	-	(66)	(146)
Closing carrying amount	493	335	63 906	25 577	10 772	101 083
At 30 June 2011						
Cost	1 519	352	168 523	65 321	32 243	267 958
Accumulated depreciation	(1 026)	(17)	(104 617)	(39 744)	(21 471)	(166 875)
Accumulated impairment	-	-	-	-	-	-
Closing carrying amount	493	335	63 906	25 577	10 772	101 083
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	-	149 721	62 245	20 977	233 843
Accumulated depreciation	(430)	-	(69 074)	(29 981)	(8 311)	(107 796)
Accumulated impairment	-	-	(612)	-	(124)	(736)
Closing carrying amount	470	-	80 035	32 264	12 542	125 311

Notes to the Group financial statements

for the year ended 30 June 2011

8 Investment property

	June 2011 R'000	June 2010 R'000
Opening carrying amount	8 543	-
Cost	-	8 543
Fair value gain	1 557	-
Closing fair value of land	10 100	8 543

Investment property consists of Land PTN 108 (PTN OF PTN 27) of the farm Weltevreden 202. The Company has elected the fair value model in terms of ISA 40 (investment property).

At 30 June 2011 the land was revalued at an amount of R10 100 000. The valuation was obtained by an independent real estate company, the Eris Property group which is a professional associated valuator. The Eris group has experience in the location and category of investment property being valued.

The fair value of investment property was determined based on current prices in an active market for similar property in the same location and condition.

9 Intangible assets

	Goodwill R'000	Licences R'000	Intel- lectual property R'000	Com- puter soft- ware R'000	Develop- ment costs R'000	Cus- tomer relation- ships R'000	Brands R'000	Total R'000
Group								
Opening carrying amount at 1 July 2010	401 951	71	7 444	59 260	-	91 064	16 648	576 438
Additions	26 597	-	1 415	17 503	26 455	6 139	-	78 109
Transfers between asset categories	525	(71)	-	(17 441)	17 441	(454)	-	-
Amortisation charge for the year	-	-	(2 077)	(14 020)	(2 926)	(14 617)	(1 902)	(35 542)
Disposals	-	-	-	(4 495)	-	-	-	(4 495)
Impairment charge	-	-	-	(3 701)	-	(1 257)	-	(4 958)
Carrying value at 30 June 2011	429 073	-	6 782	37 106	40 970	80 875	14 746	609 552
Opening carrying amount at 1 July 2009	418 856	80	9 521	34 929	4 227	110 556	21 982	600 151
Additions	6 912	-	-	32 050	-	-	-	38 962
Refunds on purchase on subsidiary	(23 817)	-	-	-	-	-	-	(23 817)
Disposals	-	-	-	(162)	-	-	-	(162)
Transfers between asset categories	-	-	-	4 227	(4 227)	-	-	-
Amortisation charge for the period	-	(9)	(2 077)	(11 784)	-	(14 287)	(2 134)	(30 291)
Impairment charge	-	-	-	-	-	(5 205)	(3 200)	(8 405)
Carrying value at 30 June 2010	401 951	71	7 444	59 260	-	91 064	16 648	576 438

9 Intangible assets (continued)

	Goodwill R'000	Licences R'000	Intel- lectual property R'000	Com- puter soft- ware R'000	Develop- ment costs R'000	Cus- tomer relation- ships R'000	Brands R'000	Total R'000
Carrying value at 30 June 2011 comprises:								
Cost (including additions)	429 073	-	11 802	80 950	45 757	122 604	22 938	713 124
Accumulated impairment	-	-	-	(4 366)	-	(6 462)	(3 200)	(14 028)
Accumulated amortisation	-	-	(5 020)	(39 478)	(4 787)	(35 267)	(4 992)	(89 544)
Carrying value at 30 June 2011	429 073	-	6 782	37 106	40 970	80 875	14 746	609 552

	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
Goodwill	429 073	401 951	-	-
Licences	-	71	-	-
Computer software	37 106	59 260	-	-
Development costs	40 970	-	-	-
Intellectual property	6 782	7 444	-	-
Customer relationships	80 875	91 064	-	-
Brand	14 746	16 648	-	-
	609 552	576 438	-	-
A summary per cash-generating unit of the goodwill allocation is presented below:				
Lethimvula Investments Limited – healthcare administration	300 747	289 688	-	-
Lethimvula Investments Limited – health risk management	89 298	89 298	-	-
Old Mutual Healthcare (Pty) Limited – healthcare administration	23 490	21 654	-	-
Old Mutual Healthcare (Pty) Limited – Licences	-	1 311	-	-
Administrators and Consultants Limited – Local administration	4 969	-	-	-
Administrators and Consultants Limited – International administration	10 569	-	-	-
	429 073	401 951	-	-

Notes to the Group financial statements

for the year ended 30 June 2011

9 Intangible assets (continued)

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
- Beta of 1.1 is appropriate

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

Effective 1 November 2010, all existing business contracts held by Medscheme Asset Management (Proprietary) Limited were sold and the company is now considered dormant and all existing intangible assets and goodwill have been written off.

10 Financial instruments

10.1 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 2011, trade receivables of R4,0 million (June 2010: R4,1 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:

	June 2011 R'000	June 2010 R'000
At beginning of the period	7 076	4 341
Provision for doubtful debts	(2 791)	2 791
Bad debts written off	(5 198)	(56)
	913	7 076
Disclosure of trade debtors:		
Gross trade debtors	59 586	41 004
Provision for impairment of trade receivables as above	(913)	(7 076)
Net trade debtors (note 16)	58 673	33 928

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 its debtors and an impeccable repayment history. The provision raised above relates to specific debtors.

10 Financial instruments (continued)

10.1 Trade receivables relating to the "Healthcare business" (continued)

Healthcare and administration business (continued)

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 16 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.

10.2 Receivables from associates and joint venture

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

	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
10.3 Cash and cash equivalents				
Cash at bank and short-term bank deposits				
AAA – ABSA Bank Limited	91 822	39 912	69	–
AA – Nedbank Limited	88 193	82 612	10 203	10 388
Bank overdraft				
AAA – ABSA Bank Limited	(7 304)	(7 987)	(7 304)	(7 987)
Total cash at bank and short-term bank deposits	172 711	114 537	2 968	2 401
II Investments in associates				
Carrying amount at beginning of year	69 788	127 435	50 354	101 919
Administrators and Consultants Limited now disclosed as a subsidiary	(5 864)	–	–	–
Share of profit after tax	10 888	11 425	–	–
Foreign exchange gain	(63)	(93)	–	–
Dividends received	(948)	(1 666)	–	–
Impairment of investment in associate	(9 942)	(67 313)	(10 266)	(51 565)
Carrying amount at end of year	63 859	69 788	40 088	50 354

Jasco Electronics Holdings Limited is a listed entity with publicly traded shares. The share price on 30 June 2011 determined the significant impairment.

Notes to the Group financial statements

for the year ended 30 June 2011

ii *Investments in associates (continued)*

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

	Group June 2011 R'000	Group June 2010 R'000
Total assets	751 257	812 679
Total liabilities	408 069	392 205
Total revenue	773 000	559 300
Net profit/(loss) attributable to ordinary shareholders	9 527	(59 443)

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

	Reporting date	Number of shares held	Percentage holdings (2011 and 2010)	Group		Company		
				June 2011 R'000	June 2010 R'000	June 2011 R'000	June 2010 R'000	
Directly held - listed								
Jasco Electronics Holdings Limited	30 June		27.11	34.9	42 235	50 354	40 088	50 354
Unlisted								
Administrators and Consultants Limited Associated Fund	30 June	110 000	100	30	-	5 592	-	-
Administrators Botswana (Proprietary) Limited	30 September	25 000	25	25	6 447	5 696	-	-
Tradebridge (Proprietary) Limited^	30 September	3 000 000	30	30	9 365	2 355	-	-
Medscheme EDI (Proprietary) Limited*	29 February	50	50	50	-	-	-	-
Sigma Health Fund Managers (Proprietary) Limited	31 December	35 000	35	35	1 354	1 477	-	-
Agility Broker Service (Pty) Limited	31 December	12 500	25	25	4 458	4 314	-	-
					63 859	69 788	40 088	50 354

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:

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

II *Investments in associates (continued)*

	July 2010 R'000		Share of after tax profits	Foreign exchange dif- ferences	Impair- ments	Recog- nised as sub- sidiary	Divi- dends received	June 2011 R'000
	Opening carrying amount	Acqui- sitions						Closing carrying amount
Directly held - listed								
Jasco Electronics Holdings Limited	50 354	-	2 147	-	(10 266)	-	-	42 235
Unlisted								
Administrators and Consultants Limited	5 714	-	150	-	-	(5 864)	-	-
Associated Fund Administrators Botswana (Proprietary) Limited	5 574	-	1 884	(63)	-	-	(948)	6 447
Tradebridge (Proprietary) Limited	2 355	-	7 010	-	-	-	-	9 365
Medscheme EDI (Proprietary) Limited*	-	-	-	-	-	-	-	-
Medscheme Limited	-	-	-	-	-	-	-	-
Sigma Health Fund Managers (Proprietary) Limited	1 477	-	(447)	-	324	-	-	1 354
Agility Broker Services (Pty) Limited	4 314	-	144	-	-	-	-	4 458
	69 788	-	10 888	(63)	(9 942)	(5 864)	(948)	63 859

* Pending deregistration

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

Notes to the Group financial statements

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12 Investments in joint venture

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

	Number of shares held	Percentage holdings	June 2011 R'000	June 2010 R'000
Unlisted				
Exclusive Health (Proprietary) Limited	50	50	-	610
Shares at cost			-	-
Loan to joint venture			-	610
Reversal of impairment provision			-	-
The total aggregate assets, liabilities and results of operations of the joint venture is summarised as follows:				
Tangible assets			-	-
Intangible assets			-	-
Current assets				205
Total assets			-	205
Non-current liabilities			-	1 220
Current liabilities			-	936
Total liabilities			-	2 156
Net profit/(loss) attributable to ordinary shareholders			874	10

13 Investment in subsidiaries

	Group 2011	Group 2010	Company 2011	Company 2010
Unlisted investments at cost	-	-	-	*
Directors' valuation	-	-	566 008	554 948

Name	Main business	Country of incorporation	Interest held
2010 and 2011			
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	91,56%

* Amount less than R1 000

14 *Investment in preference shares*

	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
Investment in preference shares				
40 000 redeemable preference shares	100 000	100 000	100 000	100 000
	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.

Jasco has consistently serviced the preference dividend and with the acquisition of assets during the current year, has substantially increased its ability to redeem the preference shares.

15 *Deferred income tax*

	Capital allow- ances R'000	Pro- visions R'000	Pre- pay- ments R'000	Assessed loss R'000	Fair value adjust- ments R'000	STC credits R'000	Total R'000
Group							
Deferred income tax assets							
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
(Charge)/credit to profit for the year	-	(7 520)	-	(5 056)	-	1 191	(11 385)
Balance as at 30 June 2011	-	36 974	-	28 884	-	1 191	67 049
Deferred income tax liabilities							
Balance as at 1 July 2009	(14 664)	-	(1 286)	-	(50 582)	-	(66 532)
Charge/(credit) 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)
Charge/(credit) to profit for the year	1 791	79	570	-	2 730	-	5 170
Balance as at 30 June 2011	(7 074)	-	(665)	-	(29 534)	-	(37 273)
Company							
Balance as at 1 July 2009	-	-	-	-	-	-	-
Credit to profit for the year	-	-	-	-	-	-	-
Balance as at 30 June 2010	-	-	-	-	-	-	-
Charge to profit for the year	-	-	-	1 291	-	1 191	2 482
Balance as at 30 June 2011	-	-	-	1 291	-	1 191	2 482

Notes to the Group financial statements

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16 Trade and other receivables

	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
Trade debtors	58 673	33 928	-	-
Deposits	1 259	876	-	-
Prepayments	11 568	23 962	-	-
Sundry debtors	12 656	7 633	773	-
Sublease debtors and other	8 854	13 724	-	-
	93 010	80 123	773	-

17 Receivables from subsidiaries

	Effective % holding	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
AfroCentric Healthcare Assets (Pty) Limited	100	-	-	452 777	400 600
AfroCentric Funding (Pty) Limited	100	-	-	-	16 600
		-	-	452 777	417 200

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 have no fixed repayment terms and no interest is charged. The Directors believe that the fair value approximates the carrying value of the loans and receivable.

18 *Receivables from associate and joint venture*

		Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
Receivable from joint venture					
Exclusive Health (Pty) Limited	50%	-	610	-	-
Receivables from associates - Tradebridge (Pty) Limited	30%	18 039	13 614	-	-
Loan receivable		18 039	18 614	-	-
Impairment provision		-*	(5 000)	-	-
Total receivables from subsidiaries and group entities		18 039	14 224	-	-

* The impairment of R5 million was reversed in the current period due to Tradebridge reporting healthy profits in the current financial period

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

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

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

19 *Cash and cash equivalents*

	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
Cash at bank and on hand	180 015	122 524	10 272	10 388
Bank overdraft	(7 304)	(7 987)	(7 304)	(7 987)
	172 711	114 537	2 968	2 401

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.

Notes to the Group financial statements

for the year ended 30 June 2011

20 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 2009.

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

	Group June 2011 R'000	Group June 2010 R'000
Assets and liabilities of disposal group classified as held for sale on disposal		
Property, plant and equipment	-	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)
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)

21 Issued share capital

	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
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:				
265 947 672 (2010: 262 432 568) ordinary shares of 1 cent each	2 659	2 624	2 659	2 624
- Opening balance	2 624	2 580	2 624	2 580
- Issue of share capital	35	44	35	44
16 638 000 (2010: 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	369 235	386 650	369 235	386 650
	372 060	389 440	372 060	389 440

21 Issued share capital (continued)

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 is still continuing. At the date of issuing the annual financial statements AfroCentric held 91,56% in Lethimvula.

22 Minority interests

	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
Balance at the beginning of the year	21 777	31 939	-	-
Dividends paid to minorities	(3 275)	-	-	-
Share buy-back from minorities	(7 007)	(14 361)	-	-
Share of net profit of subsidiary	9 291	4 199	-	-
	20 786	21 777	-	-

Notes to the Group financial statements

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23 Borrowings

	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
Bank borrowings	200 000	162 072	-	-
	200 000	162 072	-	-
Maturity analysis				
Non-current	200 000	162 072	-	-
Current	-	-	-	-
	200 000	162 072	-	-

All interest bearing borrowings are at the prime rate.

Bank borrowings – Nedbank

The bank has provided Medscheme Limited an aggregate amount of facilities of R40 million (June 2010: R40 million), which includes overdraft and other loan facilities. The bank has provided AfroCentric Investment Corporation Limited facilities of R10 million (June 2010: R10 million).

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

- Interpharm Data Systems (Proprietary) Limited
- Medicaid Administrators (Proprietary) Limited
- Medscheme (Namibia) (Proprietary) Limited
- Medscheme Administrators (Swaziland) (Proprietary) Limited
- Medscheme Financial 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

Borrowing powers

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

24 Loans from Group companies

	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
Lethimvula Investments Limited	-	-	35 480	8 812
	-	-	35 480	8 812

This loan is unsecured and bears interest at the prime interest rate calculated monthly.

25 Provisions

	Audit fees R'000	Medical scheme refunds R'000	Onerous contract R'000	Rental provisions R'000	Westwing litigation R'000	IFRS 3 contingency R'000	Total R'000
Group							
Balance as at 1 July 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
- debit 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
Charged/(credited) to the statement of comprehensive income:							
- additional provisions	3 199	-	-	-	-	-	3 199
- reversal of provisions	(58)	(6)	(3 641)	-	-	-	(3 705)
- prior period under provision	609	-	-	-	-	-	609
- utilised during the year	(3 882)	(2 877)	-	-	-	(15 780)	(22 539)
Balance as at 30 June 2011	3 201	-	34 646	-	-	24 131	61 978

Analysis of provisions:

	Group June 2011 R'000	Group June 2010 R'000
Group		
Non-current portion	41 600	66 067
Current portion	20 378	18 347
	61 978	84 414

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

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26 Post employment medical obligations

The Medscheme group operates a post employment medical benefit scheme. The accumulated post employment medical aid obligation was determined by independent actuaries in June 2011 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.

	June 2011 R'000	June 2010 R'000
Balance at the end of the period	3 821	3 866
The amounts recognised in the statement of comprehensive income are as follows:		
Current service cost	-	-
Interest cost	322	450
Expected benefit payments	(544)	(736)
Net actuarial gains recognised in the current period	177	222
Net movement for the period	(45)	(64)
The amount recognised in the statement of financial position is determined as follows:		
Present value of funded obligations	3 866	3 930
Interest cost	322	450
Expected employer benefit payments	(544)	(736)
Actuarial (gain)/loss	177	222
Accrued liability in excess of plan assets	3 821	3 866

The principal actuarial assumptions used were as follows:

	June 2011	June 2010
Discount rate	8,75% p.a.	9% p.a.
Healthcare cost inflation	7,75% p.a.	7,5% 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 health care costs due to AIDS.

The following liability was recalculated to show the effect of:

- A one percentage point decrease or increase in the rate of health care cost inflation;
- A five or ten percentage point increase in the rate of health care cost inflation for the next five years, thereafter returning to a health care cost inflation of 7,75% p.a.;
- A one percentage point decrease or increase in the discount rate.

26 Post employment medical obligations (continued)

Disclosure Requirement Paragraph 120A(o) of IAS 19 (AC116)

	Health care cost inflation		
	Central assumption 7,75%	-1%	+1%
Accrued liability 30 June 2011 (R'million)	3,821	3,802	3,842
% change	-	-0,5%	+0,5%
Interest cost 2011/2012 (R'million)	0,309	0,307	0,311
% change	-	-0,6%	+0,6%

	Central assumptions		
	7,5%	-1%	+1%
Sensitivity results from previous valuation			
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%

	Healthcare cost inflation		
	Central assumption 7,75%	+5% for 5 years	+10 % for 5 years
Accrued liability 30 June 2011 (R'million)	3,821	3,876	3,940
% change	-	+1,4%	+3,1%

	Discount rate		
	Central assumption 8,75%	-1%	+1%
Accrued liability 30 June 2011 (R'million)	3,821	4,042	3,622
% change	-	+5,8%	-5,2%

Notes to the Group financial statements

for the year ended 30 June 2011

27 Accrual for straight-lining of leases

	Group R'000
Balance as at 1 July 2009	43 442
Charged/(credited) to the statement of comprehensive income:	
– additional provisions	874
Used during the period	(6 808)
Balance as at 30 June 2010	37 508
Credited to the statement of comprehensive income:	
– additional provisions	–
Used during the year	(5 984)
Balance as at 30 June 2011	31 524

	June 2011 R'000	June 2010 R'000
Non-current portion	21 435	32 127
Current portion (note 28)	10 089	5 381
	31 524	37 508

28 Trade and other payables

	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
Trade payables	26 059	37 575	–	–
Accruals	4 200	7 897	458	–
Payroll creditors	15 861	27 874	–	–
Value Added Tax	9 743	4 404	–	–
Shareholders for dividends and share re-purchase	6 096	16 596	69	–
Short-term portion of straight-lining lease accrual	10 089	5 381	–	–
Inseta funding	2 201	3 359	–	–
Other payables	2 085	5 460	246	129
	76 334	108 546	773	129

29 *Employment benefit obligations*

	Bonuses R'000	Leave pay R'000	Total R'000
Group			
Balance as at 1 July 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 period	(17 327)	(31 671)	(48 998)
Disclosed as liabilities held for sale	-	-	-
Balance as at 30 June 2010	59 598	29 325	88 923
Charged/(credited) to the statement of comprehensive income:			
- additional provisions	58 956	5 093	64 049
- amounts reversed	(6 821)	-	(6 821)
Used during the year	(61 300)	(6 140)	(67 440)
Balance as at 30 June 2011	50 433	28 278	78 711

Analysis of employee benefit provisions:

	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
Current portion	78 711	88 923	-	-
The provision for management incentive bonuses is payable at the end of October 2011, whilst the remaining provision for staff is payable at the end of December 2011 to staff 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.				
30 Revenue				
Administration fees	836 088	659 006	-	-
Health risk management fees	454 908	535 403	-	-
Management fees	3 300	-	-	-
IT revenue and other	56 958	69 005	-	-
Revenue from healthcare administration and managed healthcare	1 351 254	1 263 414	-	-
Acquired healthcare business	-	92 917	-	-
	1 351 254	1 356 331	-	-

Notes to the Group financial statements

for the year ended 30 June 2011

31 Profit before taxation

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

	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
Auditors' remuneration (included in 'other expenses')	4 711	8 244	668	369
Audit fees	3 811	5 559	668	369
Fees for consulting and other services	291	1 343	-	-
Prior year under provision	609	1 342	-	-
Amortisation of development costs and other intangibles	35 542	30 291	-	-
Impairment of intangible assets	4 958	8 405	-	-
Impairment of investment	9 942	67 313	-	-
Bad debt write off	5 198	525	-	-
Reversal of IFRS3 contingency*	(15 780)	(15 780)	-	-
Reversal of provisions	(3 705)	(62 170)	-	-
Depreciation of property, plant and equipment	44 170	42 995	-	-
Motor vehicles	144	65	-	-
Building infrastructure	17	-	-	-
Computer equipment	32 423	31 312	-	-
Furniture and fittings	8 934	9 200	-	-
Office equipment	2 652	2 418	-	-
Directors' emoluments (included in 'employee benefit costs')				
Executive		12 087	-	-
W Holmes	3 219			
- Basic salary	1 845			
- Bonus	939			
- Company contributions	192			
- Other allowances	243			
Non-executive		200	-	-
For services as directors (basic salary)				
B Bam	60			
AT Mokgokong	427			
MJ Madungandaba	240			
Other employee			1 500	
J Rothbart	1 500			
Operating lease rentals (included in 'rentals and property costs')	137 287	186 793	-	-
Buildings	134 524	166 032	-	-
Computer equipment	-	66	-	-
Motor vehicles	638	853	-	-
Office equipment and furniture	2 125	19 842	-	-

31 Profit before taxation (continued)

	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
Employee benefit costs	701 774	925 165	-	1 526
Salaries and wages	596 362	770 271	-	1 526
Termination benefits	6 273	20 811	-	-
Incentive bonus	54 785	70 964	-	-
Staff welfare	14 327	25 688	-	-
Movement in post employment medical obligation	177	222	-	-
Pension costs – defined contribution plans	29 850	37 209	-	-

	Group June 2011	Group June 2010	Company June 2011	Company June 2010
Average number of persons employed by the Group during the year:				
South Africa	2 311	2 140	1	1
Full time	2 249	2 066	1	1
Part time	62	74	-	-
Outside of South Africa	241	93	-	-
Full time	181	93	-	-
Part time	60	-	-	-

	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
Profit on disposal of property, plant and equipment	117	1 380	-	-
Impairment of property, plant and equipment	146	736	-	-
Computer equipment	80	612	-	-
Office equipment	66	124	-	-
Reversal of impairment provisions against loans and investments	(5 835)	(3 109)	-	-

* Reversal of IFRS3 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

Notes to the Group financial statements

for the year ended 30 June 2011

32 Net finance costs

	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
Finance costs	(15 660)	(22 601)	(1 804)	(905)
Cash and cash equivalents	(711)	(2 993)	(711)	(813)
Finance leases	-	-	-	-
Intercompany loans	-	-	(1 093)	-
Preference dividend paid	(14 477)	(19 516)	-	-
Other	(472)	(92)	-	(92)
Finance income	17 138	20 251	8 049	9 034
Cash and cash equivalents	6 052	10 361	617	692
Preference dividend received	7 432	8 342	7 432	8 342
Other	3 654	1 548	-	-
	1 478	(2 350)	6 245	8 129

33 Income tax expense

Current taxation				
Current year charge	38 727	59 353	-	1 025
Prior year adjustment	(205)	(2 737)	(325)	44
Deferred taxation				
Current year credit	6 214	(41 021)	(2 481)	-
Prior year adjustment	(176)	-	-	-
Secondary Tax on Companies	1 422	2 432	-	-
	45 982	18 027	(2 806)	1 069

Reconciliation of the tax rate

	%	%	%	%
South African normal tax rate	28,0	28,0	28,0	28,0
Adjust for:				
Exempt expenses	5,2	98,9	(14,7)	(24,5)
Exempt income	(26,25)	(11,9)	(24,0)	(6,1)
STC	1,7	-	-	-
Unutilised assessed losses	18,0	-	-	-
Effective rate of tax	26,65	115,0	(10,7)	(2,6)

34 Earnings per share

The calculation of basic earnings per share for the Group is based on a net profit for the year of R117 248 000 (2010: net loss of R7 413 000), and a weighted average number of shares of 264,6 million (2010: 259,7 million) shares in issue.

The calculation of headline earnings per share for the Group is calculated on adjusted headline earnings of R126 926 000 (2010: R73 140 000), and a weighted average number of shares of 264,6 million (2010: 259,7 million) shares in issue.

	Group June 2011 R'000	Group June 2010 R'000
Reconciliation of headline earnings		
Profit/(loss) attributable to equity holders of the Company	117 248	(7 413)
Loss from discontinued operation	-	847
Basic earnings	117 248	(6 566)
Adjusted for:		
Shareholders for dividends written off	-	(185)
Fair value gains	(4 466)	-
Impairment of property, plant and equipment	146	5 020
Impairment of intangible assets	4 958	8 405
Impairment of investment in associate	10 266	67 313
Profit on disposal of assets	(1 226)	-
Share of loss from discontinued operation	-	(847)
Headline earnings	126 926	73 140
Earnings per share (cents)		
Basic	44,32	(2,53)
Headline	47,98	28,17
Diluted earnings per share (cents)		
Basic	37,64	(2,15)
Headline	40,75	23,96
Weighted average number of shares	264 561 839	259 670 381
Adjusted for:		
- dilutionary impact of preference shares	46 931 942	45 529 323
Weighted average number of shares for diluted earnings per share	311 493 781	305 199 704

Effect on earnings per share resulting from contingent share issue

The fulfilment of the Lethimvula Investments Limited profit warranty referred to in note 21 will be measured on the completion of the audited financial results of Lethimvula for the year ending 30 June 2013. A maximum number of 138,5 million ordinary shares could be allotted to the vendors as defined in the Circular of May 2009. Any allotment of ordinary shares arising from the application of the profit warranty formula will have a dilutionary effect on the Company's earnings per share thereafter.

Notes to the Group financial statements

for the year ended 30 June 2011

35 Net cash inflow/(outflow) from operating activities

	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
Continuing operations				
Profit before tax	172 521	15 660	16 720	(39 379)
Adjustments for:				
Dividends received	23 635	-	-	-
Dividends paid	(23 376)	-	-	-
Finance income	(17 138)	(20 251)	(8 049)	(9 034)
Finance cost	15 661	22 601	1 804	906
Share-based payment expense	-	624	-	-
Bad debts written off	5 198	(525)	-	-
Foreign exchange loss/(gain)	1 087	(93)	-	-
Net capital loss on recoupment	(394)	-	-	-
Increase in provision for bad debts	(2 791)	2 791	-	-
Net actuarial losses recognised during the year	177	222	-	-
Depreciation	44 170	42 995	-	-
Disposal of property, plant and equipment	-	1 380	-	-
Reversal of IFRS 3 contingency	(15 780)	(15 780)	-	-
Amortisation of intangible assets	35 542	30 291	-	-
Impairment provision on intangibles	4 958	8 405	-	-
Impairment of property, plant and equipment	146	736	-	-
Impairment provision on investments	4 431	67 313	10 266	51 563
Straight-lining of leases	(5 985)	(5 934)	-	-
Profit on disposal of assets	(1 226)	-	-	-
Onerous lease provisions	(3 642)	4 986	-	-
Fair value gains	(5 018)	-	-	-
Share of profit of associates	(10 888)	(14 017)	-	-
Cash flow before working capital changes	221 288	141 404	20 741	4 056
Working capital changes	(58 239)	33 400	(129)	4 597
Trade and other receivables	(12 888)	76 091	(773)	5 662
Provisions	(13 141)	(48 853)	-	-
Trade and other payables	(32 210)	6 162	644	(1 065)
Cash generated/(utilised) from operations	163 049	174 803	20 612	8 653
36 Tax paid				
Balance at the beginning of the year	32 767	(20 066)	(325)	(1 077)
Charged to the statement of comprehensive income	(45 982)	(18 027)	2 807	(1 069)
Interest charged	(236)	-	-	-
Balance at the end of the year	(21 282)	(32 767)	(2 482)	325
	(34 733)	(70 859)	-	(1 821)

37 Dividends and capital distributions

AfroCentric Investment Corporation Limited passed a resolution on 21 December 2010 whereby a capital distribution out of share premium of 7,5 cents per ordinary share and 21,08 cents per preference share was declared for shareholders effective 10 January 2011. The Rand value of R23,4 million was paid during January 2011. This dividend was debited to share premium as a capital distribution.

	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
Distribution declared by AfroCentric Investment Corporation Limited on 21 December 2010 and paid during January 2011	23 376	-	23 376	-
Other distributions in the Group:				
Distribution declared by Lethimvula Investments Limited on 21 December 2010 and paid to minority shareholders during January 2011	2 401	-	-	-
Dividend declared and paid by Medscheme (Namibia) (Proprietary) Limited to minority shareholders	874	3 795	-	-

38 Contingencies, commitments and guarantees

38.1 Contingencies

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

Neil Harvey & Associates

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

	June 2011 R'000	June 2010 R'000	June 2011 R'000	June 2010 R'000
38.2 Commitments				
Building rentals				
Rental obligations with respect to land and buildings				
Not later than 1 year	96 542	92 545		
Later than 1 year but not later than 5 years	134 251	227 255		
Later than 5 years	-	-		
	230 793	319 800		

Notes to the Group financial statements

for the year ended 30 June 2011

38 Contingencies, commitments and guarantees (continued)

38.2 Commitments (continued)

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 2011					
Bryanston phase 1					
- 10 Muswell Road	Samsung	3 882	3 600	-	7 482
Bryanston phase 2					
- 10 Muswell Road	Secure Data, Thebe, Reward and various others	7 383	9 749	-	17 132
Bryanston phase 3					
- 10 Muswell Road	Habitaz	1 635	1 613	-	3 248
Bryanston phase 4					
- 10 Muswell Road	NHRBC	4 843	4 778	-	9 621
		17 743	19 740	-	37 483
June 2010					
Bryanston phase 1					
- 10 Muswell Road	Samsung Secure Data, Thebe, Reward and various others	4 610	10 009	-	14 619
Bryanston phase 2					
- 10 Muswell Road		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

38 *Contingencies, commitments and guarantees (continued)*

	Group June 2011 R'000	Group June 2010 R'000	Company June 2011 R'000	Company June 2010 R'000
38.3 Guarantees				
Guarantees issued in respect of office rental for premises occupied by the Group	7 931	9 931	-	-
Medical aid schemes	2 500	2 500	-	-
South African Post Office	3 803	3 923	-	-
Kenmore Properties	23	23	-	-
Paramount Property Funds	25	25	-	-
	14 282	16 402	-	-

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

39 *Related party transactions***39.1 Directors**

Details relating to Directors' emoluments are disclosed in note 31. There are no loans to Directors.

The Directors have no shareholding or financial interest in the Company other than that listed below.

39.2 Transactions with entities in the Group

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

	Group June 2011 R'000	Group June 2010 R'000
Directors		
Medical aid contributions paid by Directors – to schemes administered by Medscheme Holdings (Proprietary) Limited and Rowan Angel (Pty) Limited	377	624
Mr MJ Madungandaba has a controlling interest in Namane Financial Services – consulting and marketing fees paid to Namane Financial Services by Lethimvula Investments Limited	1 368	1 600
Mr S Rothbart has a controlling interest in Rothbart Inc. – consulting fees paid by Medscheme Holdings (Pty) Limited	907	684
Associates		
Sigma Health Fund Managers (Proprietary) Limited – consulting fees paid to Medscheme Holdings (Proprietary) Limited	121	-
Medscheme Holdings (Proprietary) Limited – switching fees paid to Tradebridge (Proprietary) Limited	9 434	10 409

Notes to the Group financial statements

for the year ended 30 June 2011

39 Related party transactions (continued)

	Group June 2011 R'000	Group June 2010 R'000
39.2 Transactions with entities in the Group (continued)		
Related entities		
IE Business Strategic Insight Solutions (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	360	–
IE Business Strategic Insight Solutions (Proprietary) Limited – management fees paid to Marabou Travel Management (Proprietary) Limited	1 186	1 562
Helios IT Solutions (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	7 570	–
Helios IT Solutions (Proprietary) Limited – information technology fees paid to Medscheme Holdings (Proprietary) Limited	4 800	–
Helios IT Solutions (Proprietary) Limited – fixed assets transferred from Medscheme Holdings (Proprietary) Limited at book value	4 548	–
Lethimvula Healthcare (Proprietary) Limited – processing fees paid to Medscheme Holdings (Proprietary) Limited	–	967
Lethimvula Investments Limited – management fee paid to Medscheme Holdings (Proprietary) Limited	914	1 218
Marabou Travel (Proprietary) Limited – management fees paid to Marabou Travel Management (Proprietary) Limited	1 140	1 501
Marabou Travel Management (Proprietary) Limited – management fees paid to Marabou Travel (Proprietary) Limited	2 326	3 101
Medscheme Administrators Swaziland (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	1 272	1 696
Medscheme Administrators Swaziland (Proprietary) Limited – consulting fees paid to Medscheme Holdings (Proprietary) Limited	240	–
Medscheme Administrators Swaziland (Proprietary) Limited – processing fees paid to Medscheme Holdings (Proprietary) Limited	31	–
Medscheme Administrators Swaziland (Proprietary) Limited – licence and support fees paid to Helios IT Solutions (Proprietary) Limited	1 859	–
Medscheme Asset Management (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	506	1 461
Medscheme Asset Management (Proprietary) Limited – switching fees paid to Helios IT Solutions (Proprietary) Limited	1 043	–
Medscheme Holdings (Proprietary) Limited – information technology admin fees paid to Helios IT Solutions (Proprietary) Limited	81 463	–
Medscheme Holdings (Proprietary) Limited – management fees paid to Lethimvula Management Services (Proprietary) Limited	32 669	7 007
Medscheme Holdings (Proprietary) Limited – management fees paid to Lethimvula Investments Limited	2 089	2 785
Medscheme Holdings (Proprietary) Limited – subscription fees paid to Marabou Travel Management (Proprietary) Limited	126	168
Medscheme Holdings (Proprietary) Limited – switching fees paid to Helios IT Solutions (Proprietary) Limited	11 424	–
Medscheme Namibia (Proprietary) Limited – licence and support fees paid to Helios IT Solutions (Proprietary) Limited	3 379	–
Medscheme Namibia (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	277	339

39 Related party transactions (continued)

	Group June 2011 R'000	Group June 2010 R'000
39.2 Transactions with entities in the Group (continued)		
Related entities (continued)		
Medscheme Namibia (Proprietary) Limited – processing fees paid to Medscheme Holdings (Proprietary) Limited	48	1 140
Medscheme Namibia (Proprietary) Limited – processing fees paid to Helios IT Solutions (Proprietary) Limited	123	–
Medscheme Namibia (Proprietary) Limited – Nexus fees paid to Medscheme Holdings (Proprietary) Limited	–	2 725
Rowan Angel (Proprietary) Limited – fixed assets purchased by Medscheme Holdings (Proprietary) Limited	–	201
Holding company		
AfroCentric Investment Corporation Limited – loan advanced by Lethimvula Investments Limited	34 863	8 812
AfroCentric Investment Corporation Limited – loan advanced to AfroCentric Healthcare Assets (Proprietary) Limited	452 777	400 600
AfroCentric Investment Corporation Limited – loan advanced to AfroCentric Funding (Proprietary) Limited	–	16 600
AfroCentric Investment Corporation Limited – management fees paid by Lethimvula Investments Limited	–	7 300
AfroCentric Investment Corporation Limited – interest charged on loan from Lethimvula Investments Limited	1 077	–
AfroCentric Investment Corporation Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	600	–
AfroCentric Investment Corporation Limited – interest charged on loan from Medscheme Holdings (Proprietary) Limited	17	–

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

	Group June 2011	Group June 2010	Company June 2011	Company June 2010
39.3 Key management personnel compensation				
Short-term employee benefits	36 387	27 606	–	–

Key management personnel comprises directors within the Lethimvula Group.

39.4 Cross Group guarantees

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

- Aid for AIDS (Proprietary) Limited
- Helios IT Solutions (Proprietary) Limited
- Medicaid Administrators (Proprietary) Limited
- Medscheme (Namibia) (Proprietary) Limited
- Medscheme (Proprietary) Limited
- Medscheme Administrators (Swaziland) (Proprietary) Limited

Notes to the Group financial statements

for the year ended 30 June 2011

40 *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 consist primarily of listed shares, bonds and cash. The South African funds are governed by the Pensions Fund Act of 1956.

41 *Medscheme Provident Fund and Medscheme Employees Provident Fund*

These funds are defined contribution plans. Contributions are fully expensed during the period 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.

42 *Subsequent events*

The onerous Bryanston building leases are terminating in 2013 and management has continually been looking for a cost effective manner to exit from these onerous leases. During July 2011 a final settlement amount has been negotiated with the landlord which represents a significant saving of future rental and operational costs associated with staying in Bryanston. The termination agreement is being finalised and could entail that Medscheme relinquish its responsibilities with regard to the building from November 2011 upon which the onerous lease provision and straight-line provision component relating to Bryanston will be released through the income statement. The termination cost will also be incurred in the 2012 financial year which will offset the provision credits. A material saving in costs will be visible in the 2013 financial year.

Notice of annual general meeting

of Shareholders: 18 January 2012

NOTICE IS HEREBY GIVEN of an Annual General Meeting of Ordinary Shareholders of AfroCentric Investments Limited ("the Company"), to be held on Wednesday, 18 January 2012, at 12:00 at 37 Conrad Drive, Florida North, Roodepoort for the following purposes:

Record date to receive the notice of Annual General Meeting	Friday, 9 December 2011
Last date to trade to be eligible to vote	Friday, 6 January 2012
Record date to be eligible to vote	Friday, 13 January 2012
Last day for lodging forms of proxy	Tuesday, 17 January 2012
Date of the Annual General Meeting	Wednesday, 18 January 2012

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

1. Special resolution number 1: General approval to repurchase shares

"RESOLVED THAT the Company and/or any subsidiary of the Company ("the Group") be and is hereby authorised by way of a general approval as contemplated in section 48 of the Companies Act, to acquire from time to time issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the Directors of the Company may from time to time determine, but subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act, the JSE Listings Requirements and provided:

- (a) that this authority shall be valid until the Company's next Annual General Meeting provided that it shall not extend beyond fifteen months from the date of this Annual General Meeting;
- (b) that any such repurchase be effected through the order book operated by the JSE trading system and done without any prior understanding or agreement between the Company and the counterparty;
- (c) that authorisation thereto is given by the Company's Memorandum of Incorporation;
- (d) that a paid announcement giving such details as may be required in terms of the JSE Listings Requirements be published when the Company or its subsidiaries have repurchased in aggregate 3% of the initial number of shares in issue, as at the time that the general authority was granted, and for each 3% in aggregate of the initial number of shares which are acquired thereafter;
- (e) that a general repurchase may not in the aggregate in any one financial year exceed 20% of the number of shares in the Company's issued share capital at the time this authority is given, provided that a subsidiary of the Company may not hold at any one time more than 10% of the number of issued shares of the Company;
- (f) that no repurchase will be effected during a prohibited period (as defined by the JSE Listings Requirements) unless a repurchase programme is in place, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
- (g) that at any one point in time, the Company may only appoint one agent to effect repurchases on the Company's behalf;
- (h) that, in determining the price at which shares may be repurchased in terms of this authority, the maximum premium permitted is 10% above the weighted average traded price of the shares as determined over the five days prior to the date of repurchase ("the maximum price"); and
- (i) prior to entering the market to proceed with the repurchase, the Board, by resolution authorising the repurchase has applied the solvency and liquidity test as set out in Section 4 of the Act and reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the proposed repurchase."

Notice of annual general meeting

of Shareholders: 18 January 2012 (continued)

The reason for and the effect of this special resolution number 1

is to grant the Company's Directors a general authority, up to and including the date of the following Annual General Meeting of the Company, to approve the Company's purchase of shares in itself, or to permit a subsidiary of the Company to purchase shares in the Company.

For purposes of considering the special resolution and in compliance with rule 11.26 of the JSE Listings Requirements, the information listed below has been included in this integrated annual report:

- i. Directors and management – refer page 36 of this report;*
- ii. Major shareholders – refer page 38 of this report;*
- iii. Directors' interest in securities – refer page 37 of this report;*
- iv. Share capital of the Company – refer page 86 of this report;*
- v. The directors, whose names are set out on page 36 of this report, collectively and individually accept full responsibility for the accuracy of the information contained in this special resolution and certify that to the best of their knowledge and belief there are no other facts, the omission of which would make any statement false or misleading, and that they have made all reasonable enquiries in this regard;*
- vi. Litigation – there are no legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Company is aware) which may have or have had a material effect on the Group's financial position in the previous 12 months.*

2. Special resolution number 2: Inter-company loans and other financial assistance

“RESOLVED THAT, to the extent required in terms of, and subject to the provisions of, Section 45 of the Companies Act of 2008 (Act 71 of 2008), as amended, (“the Act”) the shareholders of the Company hereby authorise the Board, by way of a special resolution, for a period of 2 (two) years commencing on the date of approval of this special resolution, to approve, and to permit the Company to provide, any direct or indirect financial assistance (as contemplated in section 45 of the Act) for amounts and on terms that the Board of the Company, or any one or more persons authorised by the board from time to time for such purpose, may determine, to the following persons:

- i. any company or corporation that is related or inter-related (as defined by the Act) to the Company.”*

“RESOLVED FURTHER THAT the Board of the Company shall, in accordance with section 45 of the Act, satisfy itself that any direct or indirect financial assistance to be granted shall be on terms and conditions that are fair and reasonable to the Company and that the Company will satisfy the solvency and liquidity test (as set out in section 4 of the Act) immediately after providing the direct or indirect financial assistance.”

The reason for and the effect of this special resolution number 2

is to grant the Directors of the Company the authority for a period of 2 (two) years, from date of approval of the special resolution, to provide financial assistance to any company or corporation which is related or inter-related to the company. This means that the Company is authorised to, inter alia, grant loans to its subsidiaries and/or holding company; to guarantee the debt of its subsidiaries and/or holding company and to subordinate any claims that it may have against such companies or corporations in favour of third party banks and other financiers.

The number of votes required in order for this special resolution to be passed: At least 75% of the voting rights exercised in respect of the resolution.

Notice to shareholders of the Company in terms of section 45(5) of the Act of a resolution adopted by the Board authorising the Company to provide such direct or indirect financial assistance:

- (i) By the time that this notice of annual general meeting is delivered to shareholders of the Company, the Board will have adopted a resolution (the "Section 45 Board Resolution") authorising the Company to provide, at any time and from time to time during the period of 2 (two) years commencing on the date on which special resolution number 2 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Act to any one or more related or inter-related companies or corporations of the Company.
- (ii) The Section 45 Board Resolution will be effective only if and to the extent that special resolution number 2 is adopted by the shareholders of the Company, and the provision of any such direct or indirect financial assistance by the company, pursuant to such resolution, will always be subject to the Board being satisfied that:
 - (a) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Act, and that;
 - (b) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in section 45(3)(b)(ii).
- (iii) In as much as the Section 45 Board Resolution contemplates that such financial assistance will in the aggregate exceed one-tenth of one percent of the Company's net worth at the date of adoption of such resolution, the Company hereby provides notice of the Section 45 Board Resolution to shareholders of the company. Such notice will also be provided to any trade union representing any employees of the company.

3. Special resolution number 3: Fees payable to Non-Executive Directors

"RESOLVED THAT as a special resolution in terms of Section 66(9) of the Companies Act 71 2008 (as amended) that the proposed fees for the next 12-month period, payable quarterly in arrears to Non-Executive Directors, with effect from 1 February 2012, as follows:"

	2011	2010
Chairman	60 000	50 000
Non-Executive Director	None paid	50 000

Reason for and effect of special resolution number 3

The reason for and effect of special resolution number 3 is to ensure that the level of annual fees paid to Non-Executive directors remains competitive, to enable the Company to attract and retain individuals of the calibre required to make a meaningful contribution to the Company, having regard to the appropriate capability, skills and experience required. The Board has recommended that the level of fees paid to Non-Executive Directors be adjusted as proposed with effect from 1 February 2012.

- B) Considering, and if deemed fit, passing, with or without modification, the following Ordinary Resolutions:*

4. Ordinary resolution number 1: Financial statements for the financial year ended 30 June 2011

"RESOLVED THAT the Financial Statements of the Company for the financial year ended 30 June 2011, 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."

Notice of annual general meeting

of Shareholders: 18 January 2012 (continued)

5. Ordinary resolution number 2: Appointment of auditors

- a. "RESOLVED THAT SizweNtsaluba be reappointed auditors and Aaron Mthimunye as a designated auditor of the Company for the ensuing year, and
- b. RESOLVED THAT the Board of Directors of the Company be authorised to determine the remuneration of the Auditors."

6. Ordinary resolution number 3: Election re-election of Directors

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

Ms Y Masithela (Yasmin) (Independent Non-Executive Director)

Business address: Absa Towers North, 180 Commissioner Street, Johannesburg 2001

Qualifications:

- University of the Witwatersrand, Johannesburg, (2003-04) – Masters in Tax Law (LLM)
 - Won the KPMG prize for the best dissertation in Masters in Tax Law (2004). Dissertation – on the anti-avoidance sections of the Income Tax Act, in particular the thin capitalisation provisions of section 31 of the Act.
- Wits Business School, Johannesburg (2002) – Certificate programme in Finance and Accounting (CPFA) (awarded with distinction)
- University of the Witwatersrand, Johannesburg, (1998 – 2001) – Higher diploma in Company Law (H Dip Co Law)
 - Dissertation – on the JSE Listings Requirements
- University of Cape Town, Cape Town, South Africa, (1996-97) – Bachelor of Laws (LLB) (Dean's List of Merit)
 - Member and Treasurer of the Black Law Students Association
 - Member of the Women's Movement
 - Legal aid counsellor, assisting various clients on cases of domestic abuse and evictions
 - Sexual harassment counsellor at UCT, managed various cases of harassment.
- University of Cape Town, Cape Town, (1993-95) – Bachelor of Arts (BA)
 - Member and secretary of the Women's Movement
 - Represented UCT in the South African Student Council making submissions to Parliament on the then Draft Constitution of the Republic of South Africa

Occupation: Head of Legal, Absa Financial Services

Mr G Napier (Garth) (Independent Non-Executive Director)

Business address: Edgardale 1 Press Avenue, Crown Mines, Johannesburg

Qualifications: University of Natal: BComm (Honours), BComm, *cum laude*

Harvard Business School: Master in Business Administration

Occupation: Marketing and Business Strategy Executive Discount Division

Business strategy

Responsible for developing and implementing Business Strategy for Discount Division

- Developed, presented and obtained approval from Edcon board for revised business strategy to address five year decline in market share
- Developed and rolled out new concept Jet store including media and investor launch to reposition Jet
- Developed and implemented customer segmentation based on store card data

Marketing

Responsible for developing and managing execution of the marketing, in line with the overall strategy

- Manage marketing team consisting of 25 people with an annual budget in excess of R120 million
- Responsible for managing JetClub which has a profit of R100 million, over 1 million paying club members and JetClub magazine which has a readership of 5,8 million
- Redesigned and implemented rebranded Jet Logo based on revised strategy
- Rebranded Discom based on revised business strategy

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

7. Ordinary resolution number 4: 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.”

8. Ordinary resolution number 5: Appointment of Members To The Audit Committee

To elect, by way of separate resolutions, the following Independent Non-Executive Directors as members of the Company’s Audit Committee until the conclusion of the next annual general meeting:

Mr G Napier (Garth) (Independent Non-Executive Director)

Business address: Edgardale 1 Press Avenue, Crown Mines, Johannesburg

Qualifications: University of Natal: BComm (Honours), BComm, cum laude

Harvard Business School: Master in Business Administration

Occupation: Marketing and Business Strategy Executive Discount Division

Mr MI Sacks (Motty) (Independent Non-Executive Director)

Business address: 76 Maude Street, Sandown, Sandton, 2196

Qualifications: CA(SA)

Occupation: Non-executive Director Network Limited

Ms Y Masithela (Yasmin) (Independent Non-Executive Director)

Business address: Absa Towers North, 180 Commissioner Street, Johannesburg 2001

Qualifications:

- University of the Witwatersrand, Johannesburg, (2003-04) – Masters in Tax Law (LLM)
 - Won the KPMG prize for the best dissertation in Masters in Tax Law (2004). Dissertation – on the anti-avoidance sections of the Income Tax Act, in particular the thin capitalization provisions of section 31 of the Act.
- Wits Business School, Johannesburg (2002) – Certificate programme in Finance and Accounting (CPFA) (awarded with distinction)
- University of the Witwatersrand, Johannesburg, (1998 – 2001) – Higher diploma in Company Law (H Dip Co Law)
 - Dissertation – on the JSE Listing Requirements
- University of Cape Town, Cape Town, South Africa, (1996-97) – Bachelor of Laws (LLB) (Dean’s List of Merit)
 - Member and Treasurer of the Black Law Students Association
 - Member of the Women’s Movement
 - Legal aid counselor, assisting various clients on cases of domestic abuse and evictions
 - Sexual harassment counselor at UCT, managed various cases of harassment.
- University of Cape Town, Cape Town, (1993-95) – Bachelor of Arts (BA)
 - Member and secretary of the Women’s Movement
 - Represented UCT in the South African Student Council making submissions to Parliament on the then Draft Constitution of the Republic of South Africa

Occupation : Head of Legal, Absa Financial Services

9. Ordinary resolution number 6: 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 18 January 2012.”

Notice of annual general meeting

of Shareholders: 18 January 2012 (continued)

VOTING AND PROXIES

A shareholder of the Company, entitled to attend, speak, and vote at the annual general meeting, is entitled to appoint a proxy or proxies to attend, speak and, on a poll, vote in his stead. The proxy need not be a shareholder of the Company. A form of proxy is attached for the convenience of any certificated shareholder and own name registered dematerialised shareholder who cannot attend the annual general meeting, but who wishes to be represented.

Additional forms of proxy may also be obtained on request from the Company's registered office. The completed forms of proxy must be deposited at, posted or faxed to the transfer secretaries at the address set out on the inside of the back cover, to be received by no later than 12:00 on Tuesday, 17 January 2012. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting should the member subsequently decide to do so.

On a show of hands, every shareholder of the Company present in person or by proxy shall have 1 (one) vote only, irrespective of the number of shares he holds or represents, provided that a proxy shall, irrespective of the number of members he represents, have only 1 (one) vote. On a poll, every shareholder of the Company who is present in person or represented by proxy, shall have one vote for every share held in the Company by such shareholder.

Shareholders who have dematerialised their ordinary shares through a CSDP or broker, other than own name registered dematerialised shareholders, and who wish to attend the annual general meeting must request their CSDP or broker to issue them with a Letter of Representation. Alternatively dematerialised shareholders other than own name registered dematerialised shareholders, who wish to be represented, must provide their CSDP or broker with their voting instructions in terms of the custody agreement between them and their CSDP or broker in the manner and by time-frame stipulated.

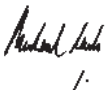
Any shareholder of the Company may authorise any person to act as its representative at the Annual General Meeting. Please also note that section 63(1) of the Companies Act 71 of 2008, requires that persons wishing to participate in the Annual General Meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

Voting will be performed by way of a poll so that each shareholder present or represented by way of proxy will be entitled to vote the number of shares held or represented by them.

Equity securities held by a share trust or scheme will not have their votes at the Annual General Meeting taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

Unlisted securities (if applicable) and shares held as treasury shares may not vote.

By order of the Board



MI Sacks
Company Secretary

37 Conrad Drive, Florida North, Roodepoort

28 September 2011

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 WEDNESDAY, 18 JANUARY 2012 AT 12H00 AT 37 CONRAD DRIVE, FLORIDA NORTH, ROODEPOORT.

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			
2.	Inter-Company loans and other financial assistance			
3.	Fees payable to Non-Executive Directors			
B)	Ordinary resolutions			
4.	Financial Statements for the financial year ended 30 June 2011			
5.	Auditors.			
	5.1 Reappointment of SizweNtsaluba			
	5.2 Authority to determine remuneration			
6.	Election/re-election of Directors			
	6.1 Y Masithela			
	6.2 G Napier			
7.	Control of authorised, but unissued shares			
8.	Appointment of members to the Audit Committee			
	8.1 Y Masithela			
	8.2 G Napier			
	8.3 Ml Sacks			
9.	Authority of Directors			

Signed on this

_____ day of

_____ 2012.

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.

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 12:00 on 17 January 2012.

11. Please note that in terms of section 58 of the Act:
 - the appointment of a proxy is revocable unless the proxy appointment expressly states otherwise. If the appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy; and delivering a copy of the revocation instrument to the proxy, and to the company. The revocation will take effect on the later of (i) the date stated in the revocation instrument; or (ii) the date on which the revocation instrument was delivered to the proxy and the company.
 - a proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
 - a proxy must be delivered to the Company, or to the secretary of the company, namely Computershare Investor Services (Pty) Limited, before your proxy exercises any of your rights as a shareholder at the general meeting;

Notice posted to AfroCentric shareholders on 5 December 2011.

