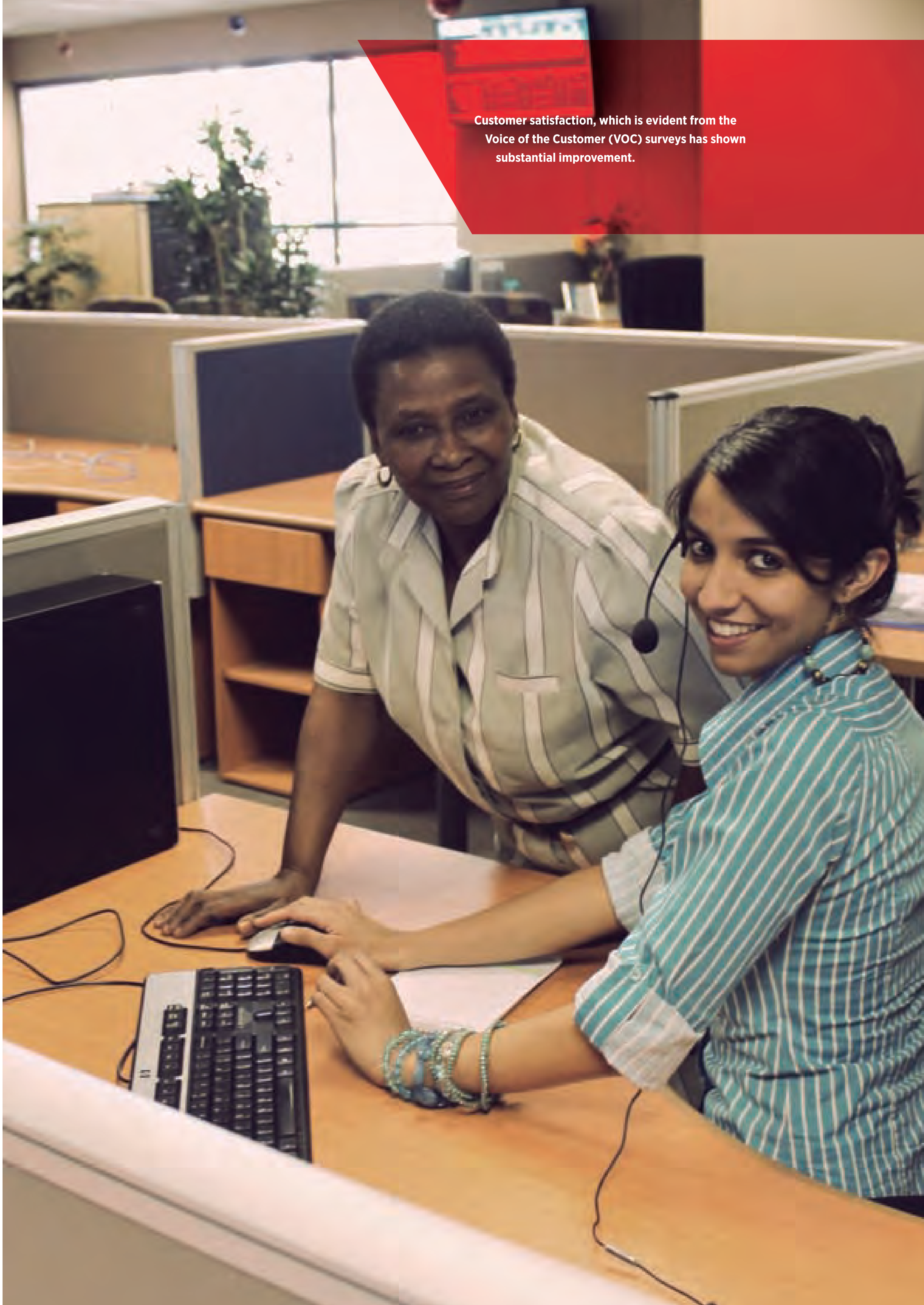
AfroCentric Investment Corporation Limited (AfroCentric)

Integrated Annual Report
for the year ended 30 June 2012

OUR PEOPLE
OUR PASSION

AFROCENTRIC

Customer satisfaction, which is evident from the Voice of the Customer (VOC) surveys has shown substantial improvement.



AfroCentric Integrated Annual Report

For the year ended 30 June 2012

A PASSION FOR PEOPLE

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For more information please visit our corporate website at www.afrocentric.za.com

AfroCentric has a passion for the education and upliftment of South Africa's young people which is a cornerstone of our Socio-Economic Development Policy.

001. CHAIRPERSON'S REPORT

Active citizenry in action

AfroCentric was established in 2006 and has specifically invested in businesses that demonstrate good prospects for growth while actively contributing to the upliftment of South Africa's people in a meaningful and sustainable manner.

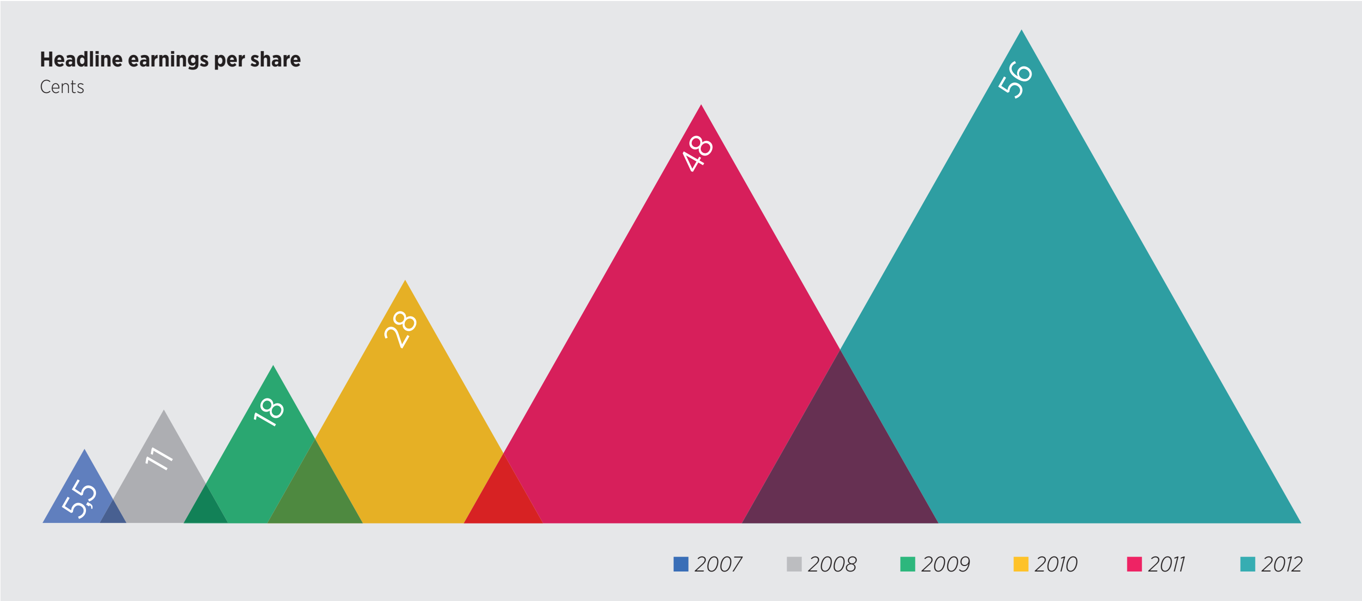
THE AFROCENTRIC EMPOWERMENT TRUST ("ACET")

Two beneficiaries which represent a broad base of historically disadvantaged South Africans ("HDSA") were invited to participate in AfroCentric on its restructure and recapitalisation. The ACET was constituted in 2006 and acquired 51% of AfroCentric's ordinary share capital.

The beneficiaries of ACET include the South African Council of Churches and the Fort Hare Foundation both of whom played a pivotal role in the transformation of our country.

Through various transactions, AfroCentric's HDSA shareholding has increased from 51% in 2006 to the current level of 68%. Our largest shareholders are Community Investment Holdings, the ACET and Golden Pond. They represent the membership of the South African Medical and Dental Practitioners Association, medical professionals who are substantially HDSAs, or of HDSA parentage.

Apart from the unique status of HDSA shareholders being in control of AfroCentric, the headline earnings growth per share has, over the past six years, increased tenfold. The compound headline earnings per share is illustrated in the table below.



OUR BUSINESS

AfroCentric is a black-owned, diversified listed investment holding company which operates in three separate sectors:

AFROCENTRIC
GROUP

AFROCENTRIC
HEALTH

AfroCentric Health Limited

AFROCENTRIC
TECHNOLOGY

Jasco Electronics Holdings Limited

AFROCENTRIC
RESOURCES

Joint venture with Rio Tinto

AFROCENTRIC HEALTH

The Group holds a substantial majority equity stake in AfroCentric Health Limited ("AHL"), formerly Lethimvula Investments Limited. During the financial year, AfroCentric's holding in AHL reached 93,17%. AfroCentric continues to engage with AHL minority shareholders who wish to offer their AHL shares for sale. AHL in turn owns 100% of the issued shares in Medscheme Holdings (Pty) Limited ("Medscheme"), a multi-medical scheme administrator and managed care provider. Further information can be obtained from www.medscheme.com.

AFROCENTRIC TECHNOLOGY

AfroCentric holds a 27, 3% non-controlling interest in JSE-listed Jasco Electronics Holdings Limited ("Jasco"). Jasco provides solutions services and products to its customers through three core verticals:

- **Information and Communication Technology (ICT) Solutions**

ICT Solutions contains the telecommunications and information technology businesses of Jasco, Spescom, the newly-acquired ARC Telecoms, as well as the telecommunications arm of associate M-TEC.

- **Industry Solutions**

Industry Solutions contains the Security business and the recently-acquired FerroTech. Energy Solutions contains Electrical Manufacturers and Lighting Structures, as well as the energy arm of M-TEC.

- **Energy Solutions**

Energy Solutions contains Electrical Manufacturers and Lighting Structures, as well as the energy arm of M-TEC. The group's home base is South Africa, with other countries of operation including Ghana, Congo and Uganda. Jasco's exports represent 7% of total revenue, with exports to Zambia, Zimbabwe, Ghana, Botswana, Mauritius, Mozambique, Namibia, Lesotho, Uganda, Cameroon, Congo and the United Kingdom.

Jasco is listed on the Johannesburg Securities Exchange under the code: JSC

Further information may be obtained from Jasco's website at www.jasco.co.za.

AFROCENTRIC RESOURCES

AfroCentric's exploration and prospecting relationship with Rio Tinto PLC continues in terms of the Relationship and Strategic Cooperation Agreement ("RSCA").

In terms of the RSCA, RioTinto is obliged to offer AfroCentric participation in all new start up opportunities which are approved by Rio Tinto for research and exploration.

The exploration and prospecting nickel project in the North West province did not fulfill its early mineralisation and further exploration on this project was recently terminated. AfroCentric has howerver, concluded a further contract with Rio Tinto for a new iron ore exploration project on terms consistent with the continuing RSCA. Further information on Rio Tinto PLC may be found at www.riotinto.com.

FINANCIAL PERFORMANCE

While South Africa's economy experienced wide fluctuations in the levels of business confidence during the year, subsidiary and associate management diligently maintained a consistent and disciplined approach towards achieving their financial goals, the positive results of which, are once again revealed in the Group's sound pattern of growth in earnings.

PROSPECTS FOR 2013

The principal investments of the Group, AfroCentric Health and Jasco, compete in industries that have traditionally been controlled by some of South Africa's largest institutions.

For AfroCentric (substantially a black-controlled "start up" investment group) to have secured a foothold in each industry sector, begins to reveal a transformational adoption and market confidence in the values and professionalism that characterise the Group's skills and efficiencies as well as the affordability of and belief in its products and services. The Board has great confidence in each of the Group's teams of management and would be satisfied with a recurring level of growth going forward.

THANKS AND APPRECIATION

My sincere thanks go to our dedicated executives at AfroCentric as well as our subsidiaries and associates. We are passionate about our people, the depth of their talent and commitment, coupled with a work ethic which enables delivery of positive financial results in a challenging economic environment,

Given my retirement as Chairperson since the year-end, Dr Anna Mokgokong has been appointed as the Non-executive Chairperson of the AfroCentric Board and I would like to take this opportunity to wish her every success in her new role. I will, however, continue to serve as a Non-executive director on the Board.

Signed
Brigalia Bam

002. BOARD OF DIRECTORS

The AfroCentric Board has evolved over time, but the Group is privileged to have the following preeminent business people serving on the Board:

Ms N Brigalia Bam
Chair

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

Dr Anna T Mokgokong
Major Shareholder

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

Mr M Joe Madungandaba
Major Shareholder

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

Mr Michael (Motty) I Sacks
Founder

- Co-founder and former Chairman of Netcare

Mr J Meyer Kahn
Founder

- Chairman of SAB Miller plc

Mr Brian Joffe
Major Shareholder

- Founder and CEO of BidVest

Ms Yasmin Masithela
Independent

- Founding Partner of Phukubje Pierce Masithela Attorneys
- Non-executive Director of Eskom Holdings Limited
- General Counsel at Absa Financial Services

Mr Garth Napier
Independent

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

Mr Wallace Holmes
Executive Director

- CFO and director of AfroCentric
- CFO and director of AfroCentric Health Limited
- CFO and director of Medscheme Holdings (Pty) Limited

003. FINANCIAL OVERVIEW

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Audited year ended 30 June 2012 R'000	Audited year ended 30 June 2011 R'000
ASSETS		
Non-current assets	**991 884**	951 923
Property, plant and equipment	**97 016**	101 083
Investment property	**10 300**	10 100
Intangible assets	**611 042**	609 552
Unlisted investments	**280**	280
Investment in associates	**86 765**	63 859
Investment in preference shares	**100 000**	100 000
Deferred income tax assets	**86 481**	67 049
Current assets	**371 416**	291 066
Trade and other receivables	**108 511**	93 010
Receivables from associates and joint ventures	**14 591**	18 041
Current tax asset	**6 404**	-
Cash and cash equivalents	**241 910**	180 015
Total assets	**1 363 300**	1 242 989
EQUITY AND LIABILITIES		
Capital and reserves	**882 815**	726 850
Issued capital	**349 365**	372 060
Contingent shares to be issued	**188 540**	188 540
Share-based awards reserve (Note 1)	**9 357**	-
Treasury shares	**(1 772)**	(1 162)
Foreign currency translation reserve	**(646)**	241
Distributable reserve	**337 971**	167 171
Minority interests	**30 625**	20 786
Total equity	**913 440**	747 636
Non-current liabilities	**271 968**	304 129
Deferred income tax liabilities	**47 595**	37 273
Borrowings	**200 000**	200 000
Provisions	**8 350**	41 600
Post-employment medical obligations	**3 504**	3 821
Accrual for straight-lining of leases	**12 519**	21 435
Current liabilities	**177 892**	191 224
Borrowings	**8 346**	-
Provisions	**8 779**	20 378
Trade and other payables	**76 802**	76 336
Taxation	**4 149**	8 495
Bank overdraft	**-**	7 304
Employment benefit provisions	**79 816**	78 711
Total liabilities	**449 860**	495 353
Total equity and liabilities	**1 363 300**	1 242 989

Cash earnings per share ↑55%

Earnings per share ↑39%

Profit for the year ↑43%

Headline earnings per share ↑16%

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	% change	Audited year ended 30 June 2012 R'000	Audited year ended 30 June 2011 R'000
Revenue		**1 448 261**	1 351 253
Operating costs		**(1 188 960)**	(1 128 140)
Operating profit	16,2	**259 301**	223 113
Other income		**14 894**	31 978
Net finance income		**3 371**	1 478
Share of profit from associates		**14 842**	10 888
Profit before impairment and amortisation		**292 408**	267 457
Fair value gain (impairment) of investment		**1 175**	(10 266)
Fair value gain on investment in associate		**13 162**	-
Impairment of intangible assets		**-**	(4 958)
IFRS 2 compliance adjustment (Note 1)		**(9 357)**	-
Depreciation		**(38 128)**	(44 170)
Amortisation of intangible assets		**(36 356)**	(35 542)
Profit before income tax		**222 904**	172 521
Income tax expense		**(42 523)**	(45 982)
Profit for the year	42,5	**180 381**	126 539
Attributable to:			
Equity holders of the Parent		**164 506**	117 248
Non-controlling interest		**15 875**	9 291
Total comprehensive income for the year		**180 381**	126 539

Note 1: Actuarially determined cost of share-based awards reserved for selected executives of AfroCentric Health Limited (AHL) in terms of the 2009 Acquisition Agreement, categorised for disclosure herein in terms of IFRS 2.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Audited year ended 30 June 2012 R'000	Audited year ended 30 June 2011 R'000
Balance at beginning of the period	**747 635**	642 063
Issue of share capital	**5 579**	5 996
Share-based awards reserve (Note 1)	**9 357**	-
Revaluation of treasury shares issued	**(609)**	(552)
Dividends reclaimed and subsidiary acquisitions	**5 868**	-
Foreign currency translation reserve	**(887)**	241
Dividends paid	**(33 884)**	(26 652)
Net profit for the year	**164 506**	117 248
Profit attributable to minorities	**15 875**	9 291
Balance at end of period	**913 440**	747 635

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	% change	Audited year ended 30 June 2012 R'000	Audited year ended 30 June 2011 R'000
Cash generated from operations	56,5	**255 184**	163 049
Net finance income		**3 371**	1 478
Dividends paid		**(28 274)**	(25 800)
Tax and other payments		**(114 045)**	(34 733)
Net cash generated in operating activities		**116 236**	103 994
Net cash outflow from investing activities		**(55 353)**	(88 869)
Net cash inflow from financing activities		**8 315**	43 050
Net increase in cash and cash equivalents		**69 198**	58 175
Cash and cash equivalents at beginning of the year		**172 712**	114 536
Cash and cash equivalents at end of the year	40,0	**241 910**	172 711
Reconciled as follows:			
Cash and cash equivalents on hand		**241 910**	180 015
Bank overdraft		**-**	(7 304)
		241 910	172 711

SEGMENTAL ANALYSIS	AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2012			AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2011		
	Revenue R'000	Profit before tax R'000	Total assets R'000	Revenue R'000	Profit before tax R'000	Total assets R'000
Healthcare administration	**1 448 261**	**217 086**	**977 763**	1 351 253	185 094	874 386
Electronics (including investment income)	**-**	**5 988**	**-**	-	2 147	-
Treasury activities	**-**	**7 758**	**119 561**	-	8 049	110 272
Other (including inter-segment elimination)	**-**	**(7 928)**	**265 976**	-	(22 768)	258 331
	1 448 261	**222 904**	**1 363 300**	1 351 253	172 521	1 242 989

EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS	% change	Audited year ended 30 June 2012 R'000	Audited year ended 30 June 2011 R'000
Number of ordinary shares in issue		**268 231 817**	265 947 672
Number of preference shares in issue		**16 638 000**	16 638 000
Weighted average number of ordinary shares		**267 276 657**	264 561 839
Weighted average number of ordinary shares, potential ordinary shares and share awards for AHL executives		**332 384 302**	311 493 781
Basic earnings	40,3	**164 506**	117 248
Adjusted by:			
- Impairment of property, plant and equipment		**-**	146
- Impairment of intangible assets		**-**	4 958
- Impairment of investment		**(1 175)**	-
- Impairment of investment in associate		**-**	10 266
- Profit on disposal of assets		**(566)**	(1 226)
- Fair value gains on investment in associate		**(13 162)**	-
- Fair value gains (other)		**(810)**	(4 466)
Headline earnings	17,2	**148 793**	126 926
Earnings per share (cents)			
- Basic	38,9	**61.55**	44.32
- Diluted	38,9	**52.31**	37.64
Headline earnings per share (cents)			
- Basic	16,0	**55.67**	47.98
- Diluted	16,8	**47.58**	40.75
Cash earnings per share generated from operations (cents)			
- Basic	54,9	**95.48**	61.63
- Diluted	46,7	**76.77**	52.34

004. OPERATIONS REPORT

AFROCENTRIC HEALTH

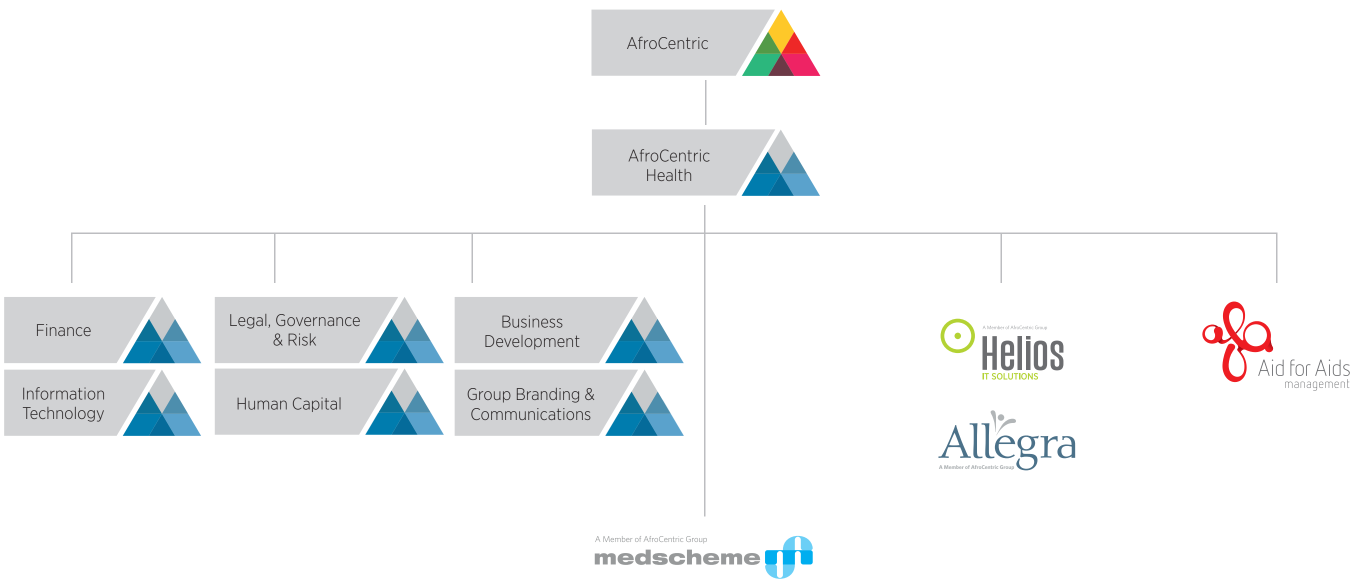
Following the renaming of Lethimvula Investments Limited to AfroCentric Health Limited, the Group brand architecture was reviewed to ensure strategic alignment and to position AfroCentric Health for the future.

There is a move away from a single brand strategy towards a "house-of-brands" strategy characterised by a series of companies with their own brands operating under an umbrella "house" brand, AfroCentric Health. This approach allows greater flexibility to position parts of the business as independent companies. Each company has its own chief executive officer, a person responsible for the results of that business.

Aligned with the Group Vision, Creating a World of Sustainable Healthcare, each company within the AfroCentric Group focuses on delivering sustainable healthcare solutions in the context of its unique core competencies.

This philosophy is reflected in our business structure:

BUSINESS STRUCTURE



MEDSCHEME

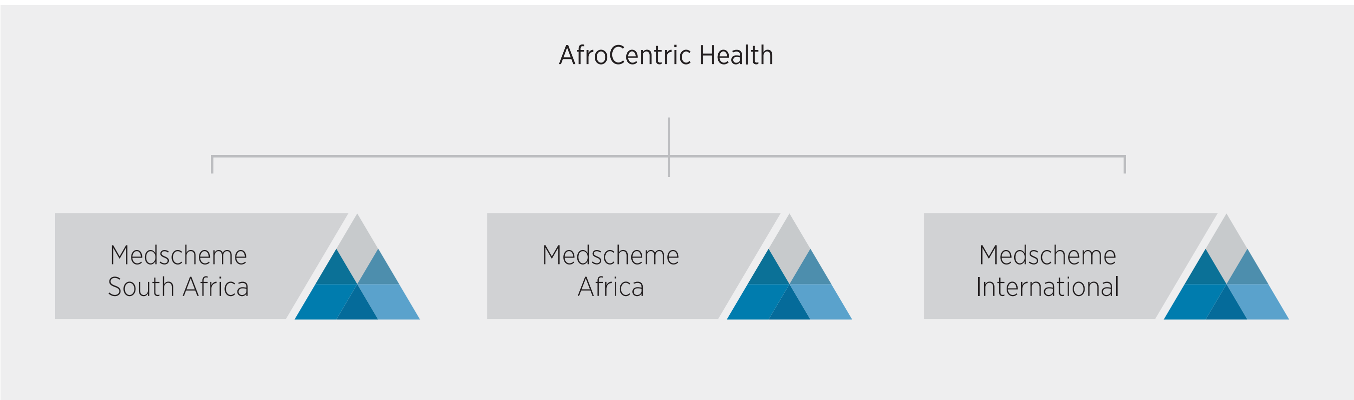
Focused on expansion but rooted in South Africa.

Medscheme shares its Vision and Values with those of AfroCentric Health. As the largest health risk management services provider and third largest medical scheme administrator in South Africa, our focus is to achieve sustainability through innovation, effective health risk management, complemented by careful control over of healthcare costs and a relentless drive for operational efficiency.

With over 3,2 million lives under management, the knowledge and expertise gained over 41 years, including our experience with the Government Employees Medical Scheme ("GEMS"), Medscheme has a lot to offer and will support this crucial initiative.

Although Medscheme is essentially a South African enterprise, we have a meaningful presence in Botswana, Namibia, Swaziland and Zimbabwe. Our operations in Mauritius are proving to be an excellent platform for international expansion and AfroCentric Health is exploring several opportunities on the African continent and elsewhere in the world.

The reorganisation of AfroCentric Health has dictated the establishment of three separate silos within Medscheme: South Africa, Africa and International. While the business in South Africa continues to grow, good progress has been made on the African continent (particularly in Zimbabwe), in Ireland and Mauritius which proves the transportability of our intellectual capital.



MEDSCHEME SOUTH AFRICA KEY OBJECTIVES

- Medscheme South Africa incorporates both Health Administration (administration) and Health Risk Management (managed care) and the key objectives for the year were defined as:

1. Improving service delivery across both businesses to achieve operational efficiencies and a more integrated path way to customer-centric service;

2. Ensuring the business is appropriately resourced and structured to attain the optimal levels of service excellence and delivery;

3. Improving operational margins through increased automation;

4. Ensuring governance and compliance with all regulatory and legislative requirements;

5. Meeting the financial budgets set for the financial year;

6. Retaining key employees and develop the skills necessary to achieve our stated objectives;

7. Focusing on transformation and employment equity;

8. Transforming operational applications to ensure a more focused customer-centricity

Our overall objective remains the delivery of service that consistently exceeds the expectations of our client medical schemes. To this end, the business priorities have focused on ensuring that:

- Service is delivered in a completely member-centric manner;

- Superior processes and technology are in place to ensure that our service is delivered in the most efficient and effective manner;

- Employees are committed, knowledgeable and appropriately skilled to carry out their responsibilities;

- There is a focus on quality as a key differentiator compared to our competitors.

Within the Health Risk Management environment, our objective is to better manage healthcare costs and health outcomes through affordable delivery with our contracted providers.

ACHIEVEMENTS

The strategy and focus on achieving the key objectives has yielded positive results.

Medscheme was awarded two additional GEMS Health Administration contracts in January 2012. Medscheme responded to the challenges presented by these huge contracts and the service level obligations are consistently met and in most cases exceeded.

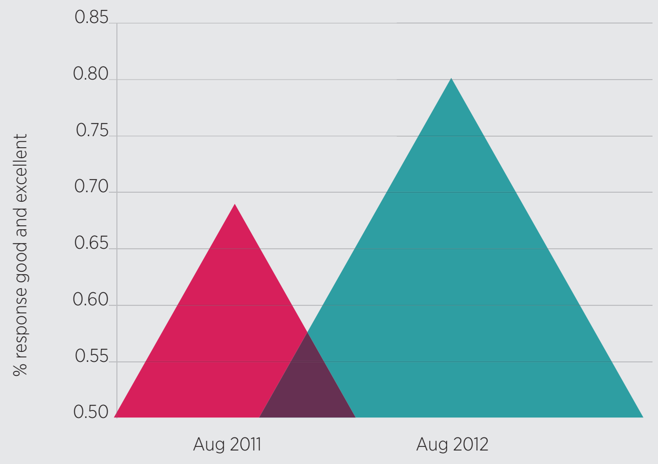
The roll out of ISO 9001:2008 certification standards continues and the following areas of the business were granted certification during the year.

- Fedhealth Business Unit
- Closed Schemes Business Units
- Corporate Schemes Business Unit
- Healthcare Professionals Call Centre
- Assessing
- Quality Assurance

The focus will now move to GEMS-related business activities including Health Risk Management operations.

Aligned with certain of our key objectives, the business established a contracted specialist network. To date over 3 000 specialists have already been contracted into the network.

Aggregate Medscheme overall customer experience
Good and Excellent Responses August 2011 to August 2102



This is a major milestone and one which will have a significantly positive impact on managing healthcare costs.

Excellent progress has also been made in automation and operational efficiency, especially within the Health Risk Management business.

We have seen an increase in the level of Business to Business ("B2B") real-time interaction with the hospital groups. While more progress is needed, we are encouraged with the level of commitment within the hospital groups to increase levels of automation. Over the next 12 months, we expect increased automation to bring about further efficiencies in staffing and service delivery.

Substantial work has gone into reviewing service functions which can be carried out at home. The Work@Home project has been initiated and the results are encouraging both in terms of reduced absenteeism and increased productivity. This project began with selected care managers within hospital benefit management. Based on the excellent results, the scope is being extended.

To date over 100 staff are currently working from home and this resource is expected to increase to over 200 in the next 12 months.

The operational environment was one of the most challenging we have experienced for many years; however, the business has adapted remarkably well and overall service delivery was maintained at the highest levels. Customer satisfaction, which is evident from the results of Voice of the Customer (VOC) surveys, has shown substantial improvement.

Financially the health administration business performed well and exceeded budgeted targets, while at the same time improving operational margins.

The ever increasing cost of highly skilled employees, as well as the retention of such staff is proving to be an ongoing challenge within health risk management, but the issue is being addressed on both levels.

PROSPECTS

Medscheme South Africa is extremely well positioned to take advantage of the continued consolidation within the private healthcare and medical scheme industries.

Medscheme has the capacity to manage large transactions and membership volumes. We are also well geared to take advantage of the expected growth in scheme membership, subject to commensurate capacity and growth within the IT environment.

The lifting of the curatorship of Bonitas Medical Fund was a positive event and should prove to be the trigger for strong membership growth. In addition to the expcted growth in membership, Bonitas is ideally placed to become involved in scheme amalgamations due to its healthy risk profile and strong solvency ratio.

It is not inconceivable that Bonitas will increase its membership by over 50 000 members within the next 12 months and Medscheme will derive substantial benefits should this growth materialise.

The growth of the Government Employees Medical Scheme ("GEMS") is expected to continue at the levels experienced over the past 24 months and an additional 100 000 principal members could be added to the scheme. GEMS invites the industry to tender for various services every three years. We are delighted to advise that in the most recent tender process across Medscheme's tender to provide managed care services to GEMS was successful. Our Health Risk Management business will therefore provide this vital service for the next three years, commencing 2013. The growth in membership will significantly boost earnings in the year to come.

SUSTAINABILITY

The ability to manage the expected growth driven by market consolidation, amalgamations and the growth in GEMS will demand greater IT infrastructure, application, discipline and control.

It is not unreasonable to expect that within the next 18 months, GEMS is likely to increase its membership base from 650 000 members to 850 000 principal members. Similarly, Bonitas' membership base could reach over 450 000 principal members given the organic growth and the potential for combinations and amalgamations.

MEDSCHEME AFRICA

Tapping into opportunities in Africa. Aligned with Medscheme's growth, diversification and expansion strategies Medscheme Africa was created as a separate division, consolidating Medscheme's business interests in Africa not including South Africa.

The territories currently incorporated into the division are Swaziland, Namibia, Zimbabwe and Botswana, where our shareholding is as follows:

- Medscheme Swaziland – 99%
- Medscheme Namibia – 74%
- Medscheme Zimbabwe – 51 %
- AFA Botswana – 25%

Medscheme is the largest player by membership and revenue in Swaziland, while we are the second largest in Namibia and Botswana. Aligned with the general economic challenges in Zimbabwe, the Zimbabwean business has for the last several years been negatively affected by low membership levels. However, we have experienced consistent growth from November 2011 and have reported solid profits from this business for the first time in five years.

There are many growth opportunities in Africa mainly due to the economic slowdown in the West and Europe. Networks within the public, private and NGO healthcare sectors are, however, showing great interest in entering into partnerships with Medscheme to complement their standard of healthcare services and competencies.

KEY OBJECTIVES

In view of market conditions in South Africa and the regulation that prohibits the integration of health services, Medscheme cautiously sought to increase Group revenues through cross-border activities. This objective will be achieved through the four key drivers listed below:

- Sustaining current revenue streams;
- Grow revenue within current client base;
- Drive revenue growth outside current client base within current markets; and
- Establish a feasible presence in other African countries with appropriate partners

ACHIEVEMENTS

The division can attest to a number of significant achievements during the past 12 months. We were successful in securing two new Information Technology contracts in Zimbabwe for CIMAS and First Mutual Life, the second largest life insurer in the country. At the same time membership under management grew by 40% and we successfully introduced a new IT system in our offices in Harare. Our largest client in Namibia, Namibia Health Plan ("NHP") was presented with PMR. Africa's Diamond Arrow Award for the best administrator for the second successive year which is testimony to the excellence of the management team in Namibia and our strong partnership with the Board of Trustees. At the same time, NHP's solvency ratio has increased from 30% in 2011 to 43% in 2012.

Our client medical scheme in Swaziland, Swazimed performed well and increased its solvency ratio from 23% in 2011 to 38% in 2012.

PROSPECTS

Aligned with our expansion strategy, Medscheme Africa is currently engaging with parties in five African destinations which if successfully concluded will have a material impact on African revenues.

We are also pursuing other exciting opportunities in business process outsourcing. There is obviously lots to learn about doing business in Africa, but the growth aspects in stable economies and a minimal quantum of interest in each case makes the exploitation of Medscheme's intellectual capital a compelling commercial proposition. Medscheme Africa also has the opportunity to make an impact on the healthcare goals for Africa at the same time delivering satisfactory margins for our shareholders.

MEDSCHEME INTERNATIONAL

Spearheading expansion into international markets.

Increasing our investment in Medscheme (Mauritius) Limited is paying dividends as the business is providing an effective platform from which to achieve the Group's international expansion strategy.

Medscheme International has achieved a number of successes including securing and renewing the contract for VHI, the largest health insurance company in the Republic of Ireland. The scope of the VHI contract has since been increased with the inclusion of an additional outsourced process.

More recent is the appointment of Medscheme International by AXA PPP International as its health insurance, third-party administrator in five countries in Southern Africa (South Africa, Namibia, Botswana, Swaziland, Zimbabwe and Mauritius).

AXA PPP International is a global health insurer and part of the AXA Insurance Group, which was recently ranked by net premiums, as the largest insurance group in the world . This relationship is of significant strategic importance to Medscheme and has the potential to develop into a mutually beneficial partnership going forward. There is also potential to expand the scope of the partnership to more regions in and outside of Africa.

Not only does this development increase and diversify revenue for Medscheme, but it also adds status and credibility to Medscheme as a global third-party administration provider.

Membership growth in the local Mauritian business continues to show a favourable trend. An aggressive growth strategy has been adopted with the new Jubilee Insurance Scheme which is positively contributing to the recent membership growth.

Several potential opportunities are being explored in the United Kingdom, Australia, Saudi Arabia and South East Asia. However, the appetite for companies to outsource cross-border business processes requires persuasive evidence and validation of Medscheme's competitors

HELIOS

Health-centric technology solutions.

The period under review saw the full integration of Medscheme's IT department into Helios IT Solutions (Pty) Limited as a standalone, separately branded company within the AfroCentric Health Group. The rebranding and launch was a significant and exciting milestone for AfroCentric Health and communication to all key stakeholders was completed.
Helios worked closely with colleagues in Medscheme Africa to secure the contract for licensing the Nexus System to CIMAS in Zimbabwe and the IT solution for First Mutual Life Zimbabwe. Helios also secured a 51% shareholding in healthcare software specialist Allegra. The integration of Interpharm into Allegra has been successfully completed.

SERVICE LEVELS

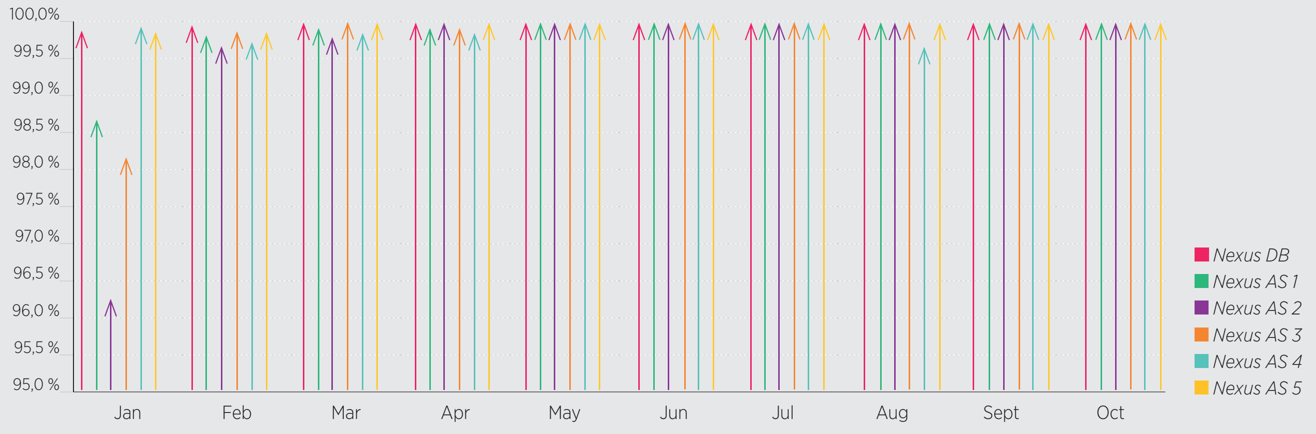
Customer-centricity and Service level maintenance are Helios' key competencies, including the maintenance of excellent response times. The average systems availability remained above the 99th percentile. The minimal difference arising through the GEMS "take on" where existing capacity strained under the load and additional processing capacity was required. The graphs on pg 24 show the 24x7 availability of the various systems for 2012, excluding scheduled maintenance slots. The scale on the left has explicitly been set only from 95% upwards, to identify downtime, whereas a 100% scale would not have shown this. "DB" represents the database layer and "AS" represents the relevant application layers. Nexus has five application servers to which users connect through a hardware load balancer. All the current users can still work optimally with only 3x application servers available. When an application server becomes unavailable, the users will lose connection but can then re-connect and will be redirected to a different application server.

PROSPECTS

Helios' longer term vision is to become an IT entrepreneur. While we will continue to provide technology services to the Group, we will become more involved in business strategy and planning. More importantly, we will begin generating revenue and profits for the greater Group through the delivery of innovative technology and technology services. In this exciting new environment it will be crucial to focus on our competitive positioning and performance measured against our competitors in the IT products and services market. This will demand that we are innovative and assume a position of leadership. In line with our strategy to diversify revenue sources, we are pleased to report an encouraging increase in revenue derived from the licensing of our systems.

Customer centricity and service level enhancement, including the maintenance of excellent response times, are Helios' key competencies.

Nexus availability
January 2012 to October 2102



UMS availability
Availability

HUMAN CAPITAL

Passionate about people

At the core of our value proposition is a passion for health and a passion for people. A central theme that permeates all human capital practices. Guided by an integrated human capital model, we provide efficient, value-adding human capital solutions tailored to business unit specific needs and creating gateways to drive a culture of high performance and innovation.

Our service extends across all levels of the organisation and ensures that line managers effectively use the organisation's important human capital resource. This is in line with the organisational values of integrity, mutual respect, accountability, affirmative action and innovation.

Our key focus areas are to:

- Enhance the recruitment and selection methodology to facilitate effective talent acquisition in the context of the scarcity of resources in the South African healthcare sector;
- Leverage compensation and benefits as a differentiator and investment optimiser;
- Drive a high performance culture to support the Group's focus on customer-centricity;
- Learning and development to enhance employee competency levels and thus delivering outstanding service to the millions of members and professionals we interact with daily;
- Implement an employee relations strategy to promote passion for people and create a harmonious working environment free of discrimination.

These objectives were prioritised to focus on key areas that required redesign to support the organisation's strategic intent and to realise the long-term vision to create sustainability and growth.

Employee distribution
Number of employees

	2012	2011
Directors	9	10
Permanent employees	2 526	2 181
Non-Permanent employees	58	60
Consultants	61	82
Contractors	1	2
Total employees	2 655	2 335
Female employees (%)	71,98%	74,53%
Black employees (African, Indian, Coloured, Chinese)	71,71%	68,50%
Disabled employees (%)	0,01%	3,10%
Female members of the board	2	3
Black members of the board	3	7
Staff turnover (%) – excludes retrenchments, dismissals, inter-group transfers, and mutually agreed separations	6,55%	7,7%
Training expenditure (Rm)	**21,1**	**18,1**

ACQUIRING TALENT

Since AfroCentric Health operates in the highly competitive healthcare industry, our track record of delivering excellent customer service is impacted by our ability to successfully attract, select, develop and retain talent. An integrated human capital strategy is therefore critical to the realisation of the Group's strategic objectives. Attracting talent is achieved through the use of social media, partnerships with academic institutions and professional bodies and an internal employee referral programme. Our selection strategy has been further enhanced to include functional assessments to ensure that candidates with the requisite knowledge, skills and behavioural attributes are appointed.

The training of community care givers has already alleviated congestion at the hospital by providing home-based care to patients.

REWARDING OUR PEOPLE

Our employee salaries is the largest overhead cost incurred by the Group. We therefore use our best endeavours to ensure that our staff understand, through clear communication, how rewards are structured and how progress can be made within the Group.

PASSION FOR PERFORMANCE

We continue to focus on creating a high performance culture where all employees feel supported and motivated to fulfil the group objectives. To this end, performance management has been refined to include behavioural outputs. These measure engagement (the extent to which managers drive employee engagement within their teams) and values (the extent to which all employees live by the Group Values in delivering their work and in their day-to-day interactions with others).

INVESTING IN PEOPLE

Through our commitment to build organisational capability and promote a culture of continuous learning, a number of initiatives aimed at enhancing employee competencies were implemented:

- The Workplace Skills Plan, for the period 1 April 2011 to 31 March 2012, was exceeded with a total of 2 094 learners trained against a target of 1 726. Of these learners, 73% were female and 3,5% were people with disabilities.

- The total number of employees trained for the period 1 July 2011 until 30 May 2012 was 2 051. Of these learners, 73% were female and 2,3% were people with disabilities.

Our focus this past year was to enhance client service training through blended learning as well as the enrichment of technical and behavioural competencies at operational level.

Significant investments were made in functional training and professional development across all job families. Functional training focused on the operational areas and a range of professional development initiatives were offered to professionals within the Actuarial, Medical, Information Technology, Legal, Governance, Risk and Compliance job families. We also continued to support employees' aspirations to obtain relevant qualifications from accredited institutions of higher learning through our study assistance programme. The past year has also seen us strengthen our leadership brand through blended learning experiences for supervisors, managers and senior managers. In partnership with the LRMG Performance Agency and Harvard Business School, we launched the Ignite and Evolve leadership development programmes.

As well as enhancing leadership competencies, the programmes contribute to our skills development and transformation imperatives.

The development of our talent pool through the implementation of personal development plans included executive coaching, self-study through business schools and participation in special projects.

TRANSFORMATION

The Group's transformation agenda is informed by a business, legal and moral imperative. The Employment Equity Plan expired at the end of 2011, and a new plan has been developed using the code of good practice:

- A desk audit of human capital policies was conducted to identify EE barriers;
- Employees participated in an online survey, thus providing feedback on the EE barriers analysis; and
- Line managers were involved in setting numerical goals at business unit level, culminating to divisional and organisational targets.

The Charlotte Maxeke Hospital School caters for 70 children from Grades R to 12 and allows them to receive extended medical treatment without interrupting their education.

As a support unit we will continue to reinforce the achievement of the Group's strategic goals through the identification and implementation of best practice human capital management solutions.

TRANSFORMATION

AfroCentric Health embraces the principles of Broad-Based Black Economic Empowerment ("B-BBEE") and supports the participation of previously disadvantaged people of South Africa in the development of the economy.

We consider B-BBEE a critical success factor for our business and ensure we are one of the top BEE companies in South Africa within the medical aid industry. To support this, we have assigned ownership of each of the pillars of B-BBEE to a member of the executive team.

In line with BEE transformation, the Group is rated a Level 3 contributor and a value-added supplier. When purchasing services from AfroCentric Health, our clients are entitled to procurement recognition of 137,5%. This is the maximum in terms of the Department of Trade and Industry's B-BBEE scorecard for this level.

We are currently implementing a range of strategies to ensure the Group advances to a Level 2.

CORPORATE SOCIAL INVESTMENT ("CSI")

Uplifting the communities we serve

Our CSI strategy demands that we support sustainable projects aligned with our country's overall healthcare sector transformation objectives.

The Transformation Steering Committee together with the Socio-Economic Development ("SED") Committee continue to identify new qualifying projects while monitoring and tracking existing projects to ensure that they achieve the desired objectives. Our philosophy is to "change lives" by participating in targeted and integrated projects that have a deeper, more meaningful and lasting impact on the beneficiaries.

This is being successfully achieved by developing strong partnerships with individuals, organisations and projects that will make a meaningful difference.

BEE certificate

Socio-Economic Development

The Group invests in SED projects which focus on two areas:

- the health and education of our youth; and
- the revitalisation of public healthcare facilities and education of healthcare personnel.

Our SED policy stipulates that we become involved in projects that are sustainable, uplift the community and build capacity. This policy is driven by a belief that young people are the foundation of the future growth of the South African economy. As such we specifically focus on projects which promote the health and education of young people from previously disadvantaged backgrounds with specific emphasis on:

- Education;
- Skills training;
- Health and welfare;
- HIV/Aids;
- Sports development; and
- Disabled people.

The SED Committee ensures that all projects comply with Medscheme's SED policy, evaluates requests and monitors the projects to maximise the impact of our contribution on the beneficiaries.
Once a project is selected, Medscheme becomes actively involved through funding and employee volunteerism to support the project in a meaningful way to ensure its sustainability.

This philosophy is reflected in two examples of our SED initiatives, the Charlotte Maxeke Hospital School and the Robertson projects.

The reopening of nursing schools and colleges presents an opportunity for Medscheme to contribute to the strategic priorities of the National Skills Develoment Strategy.

CHARLOTTE MAXEKE HOSPITAL SCHOOL

The Charlotte Maxeke Hospital School caters for 70 children from Grades R to 12 and allows them to receive extended medical treatment without interrupting their education.

Medscheme invested in refurbishing and upgrading the school to create a "normal" classroom environment that is more conducive to learning. The renovations have made a meaningful difference to the lives of both the teaching staff and children. Most children being treated at the hospital suffer from impaired immune systems due to chemotherapy, dialysis and radiation and are not able to play outdoors.

Prior to Medscheme upgrading the facility, children were forced to improvise and play in the hospital corridors. Medscheme was able to assist and a custom designed play area has been installed at the hospital.

A panel of specialists was involved in the design of the play areas and the medical team also contributed ideas to this project resulting in what is possibly South Africa's safest play area. The playground is viewed as a long-term investment that will give the children an opportunity to have fun when they are well enough to get out of bed.

THE ROBERTSON PROJECT

Medscheme has joined forces with training service provider, Cape Women's Forum, and the Breede River Hospice in the Langeberg sub-district of the Western Cape, to empower farm workers in the area to become First Health Contacts on the farms where they are employed.

The programme commenced in 2010 and 15 farm workers graduated in October 2011. The 12-month training programme covered theoretical and practical work sessions, mentored and supervised by a professional nurse employed by the Breede River Hospice. The project was also overseen by the Department of Health.

The training programme is aligned with the National Qualifications Framework ("NQF") which means that learners accumulate credits towards a qualification should they choose to further their education. The Breede River Hospice is already reaping the benefits of the programme as one of the learners assists with wound care at the hospice. This initiative is proudly sponsored by Medscheme in support of government's plan to improve access to quality, affordable healthcare in rural communities. The training of community caregivers has already alleviated congestion at the hospital by providing home-based care to patients.

ENTERPRISE DEVELOPMENT

As a company active in the healthcare sector, we believe we have a responsibility to support projects that will make a meaningful contribution to improve access to quality and affordable healthcare in South Africa. Guided by our vision, Creating a World of Sustainable Healthcare, we specifically identify and adopt projects that focus on two specific areas:

- The revitalisation of public healthcare facilities.
- Addressing the severe shortage of medical personnel in our country.

Government has formulated a 10-point plan designed to transform the healthcare sector and to improve healthcare delivery and outcomes. Companies active within the healthcare sector have a responsibility to support this initiative by investing using their CSI and ED budgets to ensure the successful implementation of the 10-point plan. We therefore work closely with specific public hospitals and apply our knowledge, expertise and resources to upgrade, equip and improve healthcare delivery at these facilities.

Medscheme is collaborating with a number of enterprise development partners to ensure the success of these projects. Raizcorp, a business incubator, is assisting with the intermediary project while Medscheme's partnership with Enterprise Development Alliances ("EDA") has ensured the delivery of an effective entrepreneurial solution to the MEDs programme as well as the development and growth of the maternity clinics.

NURSING COLLEGES

The reopening of nursing schools and colleges presents an opportunity for Medscheme to contribute to the strategic priorities of the National Skills Development Strategy of improving the infrastructure and operational capacity of further education training institutions.

We have pledged to support black-owned nursing colleges by sponsoring teaching and learning equipment to address the critical shortage of primary healthcare workers in South Africa. This will ensure that the colleges produce competent nurses equipped to adequately meet the health needs in their communities.

We believe that nurses form the cornerstone of primary healthcare in South Africa and this is the reason for our partnership with Khanyisa Nursing School, Future Nurses Nursing School and Ithemba Nursing Academy.

KHANYISA NURSING SCHOOL

The National Department of Health's strategy to focus on primary healthcare as the first tier of healthcare delivery is crucial. Aligned to the strategy, Medscheme is partnering with private nursing colleges such as Khanyisa Nursing School to make a meaningful contribution through upliftment and capacity building initiatives.

Khanyisa Nursing School is a wholly black-owned college situated in Rosettenville, Johannesburg, with branches in Bronkhorstspruit, Kroonstad andWitbank. The school educates more than 400 students studying towards various nursing qualifications each year. Khanyisa offers:

- Basic one-year programme for training as an Enrolled Nurse Auxiliary;
- Second-year programme for training as an Enrolled Nurse; and
- Two-year bridging programme for training as a Registered Nurse.

The excellent results in the registered examinations reflect the professionalism of the educators and management, as well as the quality of students selected. Our support involves rebuilding a much-needed training facility that includes classrooms, a practical demonstration room, bathrooms and a kitchen. In addition, we have donated practical training equipment and will furnish the ne training facility.

FUTURE NURSES NURSING SCHOOL

In a healthcare sector with a significant shortage of skilled nursing staff, black-owned Future Nurses Nursing School in Germiston trains 75 Enrolled Nursing Auxiliaries per year.

Future Nurses is accredited by the South African Nursing Council and the Department of Higher Education and Training to offer education and training to nursing students. The school is extremely proud of its 100% pass rate and 0% drop-out rate since its inception in 2003. Over the past three years, almost 70% of students achieved honours in their final external exams.

We donated practical training equipment, computer equipment and classroom furniture to assist the students, most of whom are from previously disadvantaged communities, to become exceptional caregivers.

ELUTHANDWENI MATERNITY CLINIC

Medscheme supports Eluthandweni Maternity Clinic, a non-profit hospital that provides quality healthcare and maternity facilities to the communities in Katlehong, Thokoza and Vosloorus on Gauteng's East Rand.

As an emerging enterprise, Eluthandweni faces many challenges including cash flow management, computer literacy and keeping abreast of new developments in the healthcare sector.

We identified these needs and support the clinic by providing training and working capital to acquire crucial equipment such as an ambulance, infant criticare bed, maternity beds, examination beds, linen, a baby scale, a freezer and other necessities.

The need for a private doctor's consultation room and dispensary at the clinic has also been addressed and construction of these facilities was recently completed.

The Group has also established and supports the ongoing maintenance of a food garden at the clinic that supplies nutritious meals to expectant mothers. Our decision to support the clinic is aligned with Millennium Development Goals 4 (reduction of infant mortality) and 5 (improvement of maternal health). We have also partnered with a suitable service provider to identify the gaps associated with start-up enterprises and coordinate and implement solutions.

VOLUNTARY EMPLOYEE INVOLVEMENT

The Group does not have a "cheque book" approach to corporate social investment. We believe we must ensure that we become personally involved by encouraging our employees to give of their time, energy and skills to make a difference in the community.

Our employees have become involved in or initiated a number of projects but are also actively encouraged to become involved in projects supported by the Group such as the Charlotte Maxeke Hospital School.

On Mandela Day our employees also visited the children and handed out gifts and read to the children confined to beds. installed a custom-built playground and our employees volunteered to wash windows and assisted with the preparations for the launch.

005. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 52 to 118 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act 71 of 2008 and the Listings Requirements of the JSE; 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.

The Company 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 Controls. 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 the overall system of controls has occurred during the period under review.

The Directors have reviewed the Group and Company budget and forecast for the years up to 30 June 2017. Based on this review and in light of the current financial position including its 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, SizweNtsalubaGobodo Inc, 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 auditor during their audit are valid and appropriate.

The audit opinion of SizweNtsalubaGobodo Inc is presented on page 50.

The annual financial statements set out on pages 52 to 118 have been approved by the Board of Directors and were signed on its behalf on 25 September 2012.

Mr MI Sacks

Mr WR Holmes

006. CERTIFICATE OF THE COMPANY SECRETARY

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 2012) 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.

Mr MI Sacks
Company secretary
25 September 2012

007. GOVERNANCE REPORT

AFROCENTRIC'S CORPORATE GOVERNANCE PHILOSOPHY

The Company is a diversified investment holding company that is committed to good corporate governance and compliance with the provisions of the Companies Act and the Listings Requirements of the Johannesburg Stock Exchange ("JSE").

The Board of Directors is of the opinion that the company or the group complies in all material respects with the provisions of King Report on Governance for South Africa 2009 ("King III") and where there are inconsistencies, these are, as required, explained in the report.

INTRODUCTION

Corporate governance guides the Directors, management and operations of the AfroCentric Group and attempts where possible to instil a culture of responsibility, accountability, integrity, ethics and respect in the management and employees of its subsidiary and associate companies.

The Board is at all times aware of the importance of good corporate governance and the correlation between sound corporate governance and profitability, as follows:

- Role and composition of the Board;
- Appointment of Directors and senior executive remuneration;
- Audit, accountability and control;
- Talent management;
- Communication protocols;
- Business risk management; and
- Sustainability and socio-economic responsibility.

AfroCentric has a small head office infrastructure which dictates the governance standards within the Group, while Board Committees represent AfroCentric's stakeholder interests and monitor the governance and performance within Group enterprises.

BOARD OF DIRECTORS

The Board currently consists of nine Directors. King III recommends that the majority of Non-executive Directors be independent. Each Non- executive Director plays a key role in the functioning of the Group and has highly sought after insight of the industry in which the Group trades. On this basis, the Board is of the opinion that the collective knowledge, expertise and experience of the Non-executive Directors, comprising the majority of the Board, is in the best interests of all stakeholders.

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

THE DIRECTORS ARE AS FOLLOWS:

Name	Non-executive	Executive	Independent	Appointment date
NB Bam	✓	✗	✗	20 December 2005
WRC Holmes	✗	✓	✗	23 June 2010
B Joffe	✓	✗	✗	25 May 2006
JM Kahn	✓	✗	✗	20 December 2005
MJ Madungandaba	✓	✗	✗	10 June 2010
Y Masithela	✓	✗	✓	1 September 2011
AT Mokgokong	✓	✗	✗	10 June 2010
G Napier	✓	✗	✓	1 September 2011
MI Sacks	✓	✗	✗	20 December 2005

...committed to good corporate governance and compliance with the provisions of the Companies Act and Johannesburg Stock Exchange Listing Requirements.

As per King III, and as outlined in the Listings Requirements of the JSE, the position of the Chairperson is separately held, with a clear division of her duties.

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

The Chairperson, NB Bam is a Non-executive and ensures that no one individual has unfettered powers of decision-making and authority, ensuring that stakeholder interests are protected. The Board is of the opinion that the Chairperson has the necessary experience and expertise to act in an independent manner that is in the best interests of the Company.

The Board is however taking the necessary measures to rectify the matter. NB Bam will retire as the Chairperson of the Board and Dr Anna Mokgokong will be appointed as the Chairperson of the Board. This will be effective from 5 September 2012.

Mr D Dempers has been appointed as director and Group Chief Executive Officer effective 5 September 2012.

THE DIRECTORS OF AFROCENTRIC:

- Are required to disclose any conflicts of interest at Board meetings (this is a permanent agenda item). No conflicts of interest were reported during the year under review;

- Aim to act impartially and independently when considering matters of strategy, performance, allocation of resources and ensuring the highest levels of conduct;

- Have unrestricted access to inspect all the documents, information and records of AfroCentric and the Group in order to ensure that the Board is able to discharge its responsibilities;

- Are subject to retirement by rotation and are entitled to re-election by shareholders at the Annual General Meeting;

- Are entitled to seek independent professional advice concerning the affairs of the AfroCentric Group, at the Group's expense, should they believe this to be in the best interest of the Group; and

- Are responsible to the shareholders and other stakeholders for setting the strategic direction of the Company.

BOARD EVALUATION AND PERFORMANCE

AfroCentric undertakes annual Board and Board Committee evaluations (including individual evaluations of the Chairperson and every Director), as recommended by King III.

There is training and development of Directors when required as well as 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;
- Nomination and Remuneration Committee;
- Investment and Risk Committee; and
- Social and Ethics Committee.

The committees assist the Board in discharging its responsibilities. This assistance is rendered in the form of recommendations and reports submitted to the Board, ensuring transparency and full disclosure. Virtually AfroCentric's entire activities lie in the Group's operating subsidiaries and associates. Each of these entities has independent Boards of Directors and Board Committees and they satisfactorily subscribe to and comply with the rules and recommendations of Corporate Governance requirements.

BOARD

During the 2011/2012 financial period the Board met on the following occasions. The Board Charter provides for four meetings per annum.

Director	28 September 2011	18 January 2012	14 March 2012	6 June 2012
NB Bam	×	×	×	✓
WRC Holmes	✓	✓	✓	✓
B Joffe	✓	×	×	×
JM Kahn	✓	✓	✓	✓
MJ Madungandaba	✓	✓	✓	✓
Y Masithela	✓	✓	✓	✓
AT Mokgokong	✓	✓	✓	✓
G Napier	✓	✓	✓	✓
MI Sacks	✓	✓	✓	✓

Where appropriate Board business was conducted via round robin to ensure continuity in the board's relationship with the Company.

AUDIT COMMITTEE

The AfroCentric Audit Committee comprises three members.

The committee comprises two Independent Non-executive Directors and one Non-executive Director who acts independently. Y Masithela is the chairperson of the committee.

King III and the Companies Act require that the committee comprises at least three independent Non-executive Directors.

As a result of MI Sacks not being considered an Independent Non-executive Director, Mr MI Sacks has advised the Board that he will subsequently be resigning as a member of the Audit Committee and that he will not be eligible for re-election to the Audit Committee.

The Board has also resolved to appoint a further two Independent Non-executive Directors.

The members of the Audit Committee have at all times acted in an independent manner and the members collectively possess the knowledge and experience necessary to diligently execute their responsibilities.

At the prior period annual general meeting of shareholders the following directors were elected as members of the Audit Committee:

- Mr MI Sacks;
- Mr G Napier; and
- Ms Y Masithela

The committee met as appears hereunder during the period under review. Attendance at these meetings was as follows:

Committee member	22 September 2012	14 March 2012
Y Masithela	✓	✓
G Napier	✓	✓
MI Sacks	✓	✓

THE AUDIT COMMITTEE HAS THE FOLLOWING RESPONSIBILITIES:

- Review the interim and year-end financial statements, and provide a recommendation to the Board regarding such financial statements;

- Review the external audit reports and supply guidance for the use of external auditors for non-audit services;

- Review internal audit and risk management functions and reports with recommendations being made to the Board when necessary;

- Receive and deal appropriately with any concerns or complaints, whether from within or outside the company, or on its own initiative, relating to:
  - the accounting practices and audit functions of the Company;
  - the content and auditing of the Company's financial statements;
  - the internal financial controls of the Company; or
  - 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:
  - Financial statements are prepared in accordance with IFRS;
  - Internal financial controls are in place and that AfroCentric is a going concern and when appropriate makes recommendations;
  - The external auditor is independent, that the audit fees (including non-audit services) are fair and reasonable, and nominates the appointment of an auditor;
  - There is an effective risk management process in place;
  - That the Financial Director has the necessary expertise and experience; and
- AfroCentric is represented on the critical subcommittees of the boards of its subsidiaries and/or associates.

FREQUENCY OF MEETINGS

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

The Audit Committee reviewed the Group's 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 auditor and, after conducting its own review, confirmed the independence of the auditor.

EXPERTISE AND EXPERIENCE OF FINANCIAL DIRECTOR

As required by the Listings Requirements of the JSE 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 is therefore recommended to the Board to accept and approve the Group Annual Financial Statements for the year under review (year ended 30 June 2012).

REMUNERATION AND NOMINATION COMMITTEE REPORT

The Remuneration and Nomination Committee comprises the following four members:

- G Napier (Independent Non-executive Director) Chairman of the Committee;
- Y Masithela (Independent Non-executive Director);
- MI Sacks (Non-executive Director); and
- JM Kahn (Non-executive Director)

The committee's responsibilities include:

With regard to nominations:

- Formulate and adopt a clear, transparent process for the selection, nomination and appointment of Directors to the Board;
- Make recommendations to the Board on the appointment of new Executive and Non-executive Directors, including making recommendations on the composition of the Board and the balance between Executive and Non-executive Directors appointed to the Board;
- Regularly review the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary;
- Put in place succession plans, particularly for the Chairperson;
- Identify and nominate candidates for approval of the Board for vacancies as and when they arise;
- Make recommendations on Directors that are retiring by rotation, for re-election; and
- Liaise with the Board in relation to the preparation of the committee's report to shareholders, as required.

With regard to remuneration:

- Agree and develop the company's general policy on executive and senior management and staff remuneration, including guidelines for components of remuneration;
- Determine specific remuneration packages for Executive Directors of the Company, including but not limited to basic salary, benefits in kind, any annual bonuses, performance-based incentives, share incentive, pensions and other benefits;
- Identify the criteria necessary to measure the performance of Executive Directors in discharging their functions and responsibilities;
- To give the Executive Directors every encouragement to enhance the Company's performance and to ensure that they are fairly, but responsibly, rewarded for their individual contributions and performance;
- To review (at least annually) the terms and conditions of Executive Directors'

service agreements, taking into account information from comparable companies where relevant;

- Determine any grants to Executive Directors and other senior employees made pursuant to the Company's executive share scheme(s);

- Keep informed of relevant information for other Group executives and senior managers;

- Not to determine the remuneration or terms of any consultancy agreement of any Non-executive Director, although it may make recommendations to the Board of the Company if requested;

- To coordinate its activities with the Chairperson of the Board and the Chief Executive Officer as well as consult them in formulating the committee's remuneration policy and when determining specific remuneration packages;

- To advise the Board on the broad framework and costs of executive remuneration;

- Where appropriate, to consult other Non-executive Directors; and

- To liaise with the Board for the preparation of the committee's report to shareholders as required and consider each year (and minute its conclusions) whether the circumstances as such that the annual general meeting of the Company should be invited to approve the remuneration policy set out in the committee's report.

- The committee has frequently met during the year, as and when considered necessary.

INVESTMENT AND RISK COMMITTEE REPORT

The committee consists of:

- MI Sacks;
- MJ Madungandaba; and
- JM Kahn

No material acquisitions appropriately satisfied the Investment Committee criteria during the period under review and thus none were approved.

- The committee has frequently met during the year when opportunities have arisen.

008. AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REPORT IN TERMS OF SECTION 94(7)(F) OF THE COMPANIES ACT 71 OF 2008

The Audit Committee held two meetings during the year. At these meetings, the committee received and considered reports from external audit.

During the year under review, the reports received by the Audit Committee from the various assurance functions contained no significant findings on internal controls.

After consideration of all the findings reported by the various assurance functions, explanations given by management and discussions with the external auditor on the results of the audit, the committee concluded that there had been no material breakdown in the Company's overall controls system and the internal financial controls form a reasonable basis for the preparation of reliable financial statements.

The Audit Committee is satisfied that the external auditor was independent of the Company.

Y Masithela
Chairperson, Audit Committee
AfroCentric Investment Corporation Limited
21 September 2012

Medscheme South Africa is extremely well-positioned to take advantage of the continued consolidation taking place within the South African private healthcare and medical schemes industries.

009. DIRECTORS' REPORT

The Directors have pleasure in presenting their report for the year ended 30 June 2012.

BUSINESS ACTIVITIES

The Company is a Black-Owned, Diversified Investment Holding Company. It is listed on the JSE Limited ("JSE") in the Healthcare Sector, under code: ACT.

The Group's preference shares are also listed on the JSE under code: ACTP.

AFROCENTRIC HEALTH LIMITED

The Company holds a majority equity stake in AfroCentric Health Limited (formerly known as Lethimvula Investments Limited ("AHL")), and has increased its holding to 93,17% during the year under review. The Company continues to engage with AHL shareholders who offer their AHL shares for sale.

AHL owns 100% of the shareholding in Medscheme Holdings (Pty) Limited which is a multi-medical aid scheme administrator.

The vendors of shares in AHL warranted profits after tax for the years ending 30 June 2011, 2012 and 2013 at an average of R180 million. To the extent that the warranty is fulfilled additional AfroCentric ordinary shares will be allocated in terms of a pre-determined formula contained in the circular issued to AfroCentric Health shareholders at the time of the offer.

Helios IT Solutions (Proprietary) Limited ("Helios"), a 100% subsidiary of AHL was started in 2009 when the main administration system of Medscheme, Nexus, was transferred to Helios. The rationale for this was a long-term strategy in which the Nexus system could be sold/outsourced to external administration clients. Helios has been successful in winning approximately five external client contracts which use the Nexus system and therefore generating income for the AHL Group.

All development was housed in Helios on behalf of Medscheme and external clients. The physical IT assets and support staff were still held and employed by Medscheme in order to therefore progress towards the long-term strategy of a stand alone IT company supporting the AHL Group. The staff and IT assets were transferred out of Medscheme to Helios effective 1 July 2012.

The Aid for Aids business ("AfA"), specialising in aids-related treatments has established itself as a world leader over the past eight years and by doing so has won many external clients outside of the Medscheme administered medical aids.

In order to further grow the AfA brand and business, the business will get its own identity and a separate CEO and board will be appointed to expand the business within corporate mining and industrial sectors whose staff suffer with a high prevalence of Aids.

Before AfA could be transferred from Medscheme, the Company first had to apply for accreditation from the Council for Medical Schemes which it obtained in May 2012.

Aid for Aids Management (Proprietary) Limited is now a 100% subsidiary of AHL and will take over the approximate 130 staff members and related contracts from the Group's medical aid and corporate clients.

JASCO ELECTRONICS HOLDINGS LIMITED

The Company has a 27.3% minority interest in JSE-listed Jasco Electronics Holdings Limited ("Jasco").

Jasco provides solutions, services and products to customers through three core divisions: Information and Communication Technologies ("ICT"), Industry Solutions ("Industry") and Energy Solutions ("Energy"). Malesela Taihan Electric Cable (Pty) Limited is a leading manufacturer and distributor of fibre optic cable with 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/RIO TINTO PLC

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

In terms of the RSCA, RioTinto is obliged to offer AfroCentric participation in all new start up opportunities which are approved by Rio Tinto for research and exploration.

GROUP RESULTS

AfroCentric's Group earnings after tax for the 30 June 2012 financial year is R180,4 million (June 2011: R126,5 million)

CHANGES IN SHARE CAPITAL

The Company's total issued share capital at 30 June 2012 is 268 231 817 (2011 is 265 947 672) 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 AHL shares from AHL minority shareholders.

Details of the Company's authorised and issued ordinary and preference share capital is set out in note 19 of the annual financial statements.

DIVIDENDS AND CAPITAL DISTRIBUTIONS

As at the year ended 30 June 2011, a capital reduction out of share premium of 9 cents per ordinary share and 25,48 cents per preference share was declared.

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

Last date 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

CONTROL OF UNISSUED SHARE CAPITAL

As per the Companies Act 71 of 2008, Section 38, the Board of Directors may resolve to issue shares of the Company at any time, but only within the classes, and to the extent, that the shares have been authorised by or in terms of the Company's Memorandum of Incorporation.

DIRECTORS

The following acted as Directors during the current financial year:

Names	Date of appointment
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
G Napier***	1 September 2011
Y Masithela***	1 September 2011

* Executive
**Non-executive
***Independent Non-executive

COMPANY SECRETARY

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

Registered address:
37 Conrad Road
Florida North
Roodepoort
1709

Postal address:
Private Bag X34
Benmore
2010

The Company Secretary is suitably qualified for the position as follows:

- Qualifications: CTA, CA(SA), AICPA (ISR);
- Mr Sacks has served as a Non-executive Director on the Boards of several listed institutions. He is the former Chairperson of Netcare, being a co-founder of that group in 1996.
- Mr Sacks is a member of the International Association of Political Consultants and has served as a Director and Officer of that Association since becoming a member in 1983.

Mr Sacks has advised the Board that he will be resigning as Company Secretary of AfroCentric, as soon as a suitable candidate has been identified. Mr Sacks will continue to hold the position of Non-executive Director within the Company.

Shareholders' interest

Major shareholders

The major shareholders and the Directors' interests in ordinary shares and preference shares as at 30 June 2012 and 30 June 2011 are provided on page 45.

Major shareholders are those which own directly or indirectly 5% or more of each class of shares.

AfroCentric's Group earnings after tax for the 30 June 2012 financial year is R180.4 million

ORDINARY SHAREHOLDERS AS AT 30 JUNE 2012

An analysis of holdings extracted from the register of ordinary shareholders as at 30 June 2012 is listed below:

Analysis of ordinary shares for the year ended 30 June*

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

2012

Director	Direct beneficial	Indirect beneficial	Held by associate	Total	%
NB Bam (Chairman)	150 000	-	-	150 000	0,05
JM Kahn	5 002 250	-	-	5 002 250	1,86
MI Sacks	2 259 925	-	3 760 000	6 019 925	2,24
B Joffe	-		3 600 000	3 600 000	1,34
WRC Holmes	-	-	-	-	-
AT Mokgokong	1 707 926	31 350 331	-	33 058 257	12,32
MJ Madungandaba	-	73 150 773	-	73 150 773	27,27
Y Masithela	-	-	-	-	-
G Napier	-	-	-	-	-

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

SHAREHOLDERS HOLDING MORE THAN 5% OF THE ISSUED SHARE CAPITAL

2012		
Shareholder	**Number of shares**	**%**
AfroCentric Empowerment Trust	36 927 200	13,77
Community Investment Holdings	49 426 916	18,43
Golden Pond Trading 175 (Pty) Limited	36 571 127	13,63
Community Healthcare Holdings (Pty) Limited	30 878 043	11,51
TOTAL	**153 803 286**	**57,34**

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**

* Total issued ordinary shares as of 30 June 2012: 268 231 817

SPREAD OF ORDINARY SHAREHOLDERS	2012			2011		
	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
Public shareholders	3 670	73 752 285	27,50	3 110	60 782 340	22,90
Non-public shareholders	10	194 479 532	72,50	10	205 165 332	77,15
Directors	6	113 621 205	42,36	6	114 134 205	42,92
Associate of Directors	2	7 360 000	2,74	2	7 360 000	2,77
Shareholders owning 10% or more of the securities (excluding directors indirect beneficial holdings)	2	73 498 327	27,40	2	83 671 127	31,46
TOTAL	**3 680**	**268 231 817**	**100,00**	**3 120**	**265 947 672**	**100,00**
Shareholders owning 5% or more						
AfroCentric Empowerment Trust		36 927 200	13,77		47 100 000	17,71
Community Investment Holdings		49 426 916	18,43		49 426 916	18,58
Community Healthcare Holdings		30 878 043	11,51		30 878 043	11,61
Golden Pond Trading 175 (Pty) Ltd		36 571 127	13,63		36 571 127	13,75
TOTAL		**153 803 286**	**57,34**		**163 976 086**	**61,65**

PREFERENCE SHAREHOLDERS AS AT 30 JUNE 2012

An analysis of holdings extracted from the register of preference shareholders as at 30 June 2012 is listed below:

*Analysis of preference shares for the year ended 30 June**

2012					
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

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

* 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 share capital:

2012		
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) Ltd	3 136 800	18,85

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) Ltd	3 636 800	21,86

SPREAD OF PREFERENCE SHAREHOLDERS

	2012			2011		
	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
Public shareholders	142	3 383 056	20,33	157	2 883 056	17,33
Non-public shareholders	4	13 754 944	82,68	4	13 754 944	82,68
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	3 136 800	18,85	1	3 636 800	21,86
TOTAL	**146**	**16 638 000**	**100,00**	**161**	**16 638 000**	**100,00**

DIRECTORS' REMUNERATION

At the Annual General Meeting on 25 January 2012, a special resolution was passed authorising the payment of Non-executive Director fees for the next 12 month period.

The fees are payable quarterly in arrears with effect from 1 February 2012.

The fees are as follows:

- Chairperson R120 000
- Non-executive Director R120 000

Messrs Sacks, Kahn and Joffe waived their rights to receive any Directors' fees. Non-executive Directors' remuneration is set out fully in note 30 of the Group annual financial statements.

The proposed fees for the Non-executive Directors for the 2013 calendar year, subject to the shareholders passing a special resolution in favour of such fees is as follows:

- Chairperson R150 000
- Non-executive Director R150 000

THE REMUNERATION OF THE FINANCIAL DIRECTOR, MR WRC HOLMES, WAS AS FOLLOWS:

Executive Director	Basic salary	Performance related bonuses	Share Options	Allowances	Pension fund contributions	Other benefits	Total compensation (R'000)
WRC Holmes	1 892	712	521	9	217	-	3 351

Remuneration of the three highest paid employees who are not Directors

	Annual Cost to Company R'000
Dewald Dempers	4,500
Andre Meyer	4,401
Kevin Aron	3,293

DIRECTORS' SERVICE CONTRACTS

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

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 2012 %	June 2011 %
	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	27.3	27.3

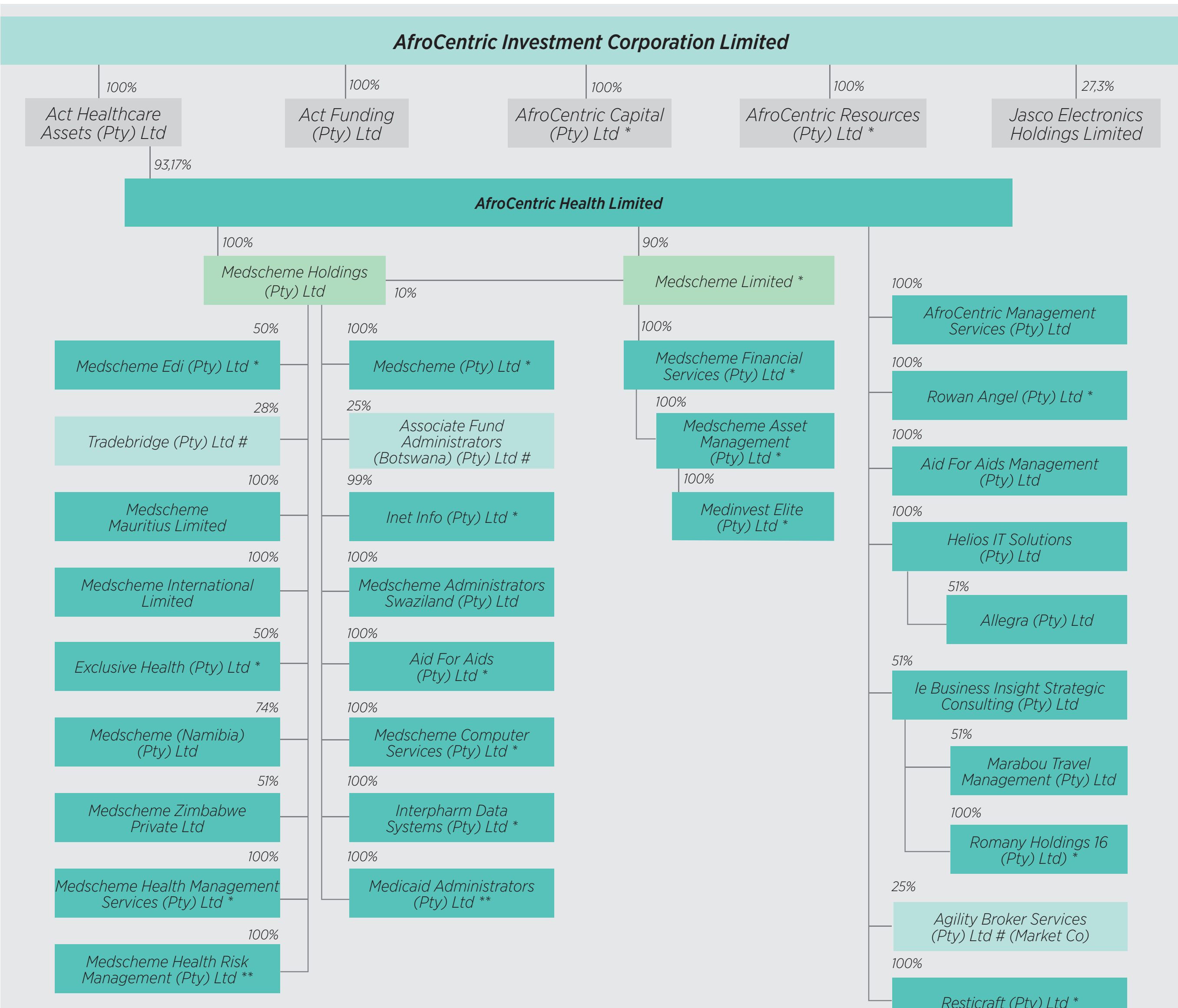
*Less than R1 000

PROPERTY, PLANT AND EQUIPMENT
The Group's property, plant and equipment amounted to R97 million in 2012 (2011: R101 million).

AUDITORS
SizweNtsalubaGobodo Inc 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:
- general approval to repurchase shares;
- inter-company loans and other financial assistance; and
- fees payable to Non-executive Directors.



Associate companies * Dormant companies **Pending deregistration

010. INDEPENDENT AUDITOR’S REPORT

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF AFROCENTRIC INVESTMENT CORPORATION LIMITED

We have audited the consolidated and separate annual financial statements of AfroCentric Investment Corporation Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2012, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 52 to 118.

DIRECTORS’ RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Company’s Directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and for such internal control as the Directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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 judgements, including the assessment of the risks of material misstatement of the annual 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 annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual 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 consolidated and separate financial position of AfroCentric Investment Corporation Limited as at 30 June 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

SizweNtsalubaGobodo Inc
A. Mthimunye

Registered Auditor
Johannesburg
26 September 2012

We continue to focus on creating a high performance culture where employees feel supported and motivated to fulfil the Group objectives

011. ANNUAL FINANCIAL STATEMENTS

Consolidated Statement of Financial Position for the Year Ended 30 June 2012

	Notes	Group 30 June 2012 R'000	Group 30 June 2011 R'000	Company 30 June 2012 R'000	Company 30 June 2011 R'000
ASSETS					
Non-current assets		**991 884**	951 923	**168 028**	142 850
Property, plant and equipment	6	**97 016**	101 083	**-**	-
Investment property	7	**10 300**	10 100	**-**	-
Intangible assets	8	**611 042**	609 552	**-**	-
Unlisted investment		**280**	280	**280**	280
Investments in associates	10	**86 765**	63 859	**59 946**	40 088
Investments in subsidiaries	12	**-**	-	**-**	-
Investment in preference shares	13	**100 000**	100 000	**100 000**	100 000
Deferred income tax assets	14	**86 481**	67 049	**7 802**	2 482
Current assets		**367 267**	291 064	**494 286**	463 822
Trade and other receivables	15	**108 511**	93 010	**1 270**	773
Receivable from subsidiary	16	**-**	-	**471 797**	452 777
Receivable from associate	17	**14 591**	18 039	**-**	-
Taxation	35	**2 255**	-	**1 658**	-
Cash and cash equivalents	18	**241 910**	180 015	**19 561**	10 272
Total assets		**1 359 151**	1 242 987	**662 314**	606 672
EQUITY AND LIABILITIES					
Capital and reserves		**882 817**	726 850	**610 812**	563 115
Issued ordinary share capital	19	**8 238**	2 659	**8 238**	2 659
Issued preference share capital	19	**166**	166	**166**	166
Share premium	20	**340 961**	369 235	**340 961**	369 235
Contingent shares to be issued	19	**188 540**	188 540	**188 540**	188 540
Share-based payment reserve	37	**9 357**	-	**9 357**	-
Revaluation reserve		**-**	-	**19 857**	-
Foreign currency translation reserve		**(646)**	241	**-**	-
Treasury shares		**(1 772)**	(1 162)	**-**	-
Retained earnings		**337 973**	167 171	**43 693**	2 515
Non-controlling interest	21	**30 623**	20 786	**-**	-
Total equity		**913 440**	747 636	**610 812**	563 115

Non-current liabilities		**271 968**	304 129	**-**	-
Deferred income tax liabilities	14	**47 595**	37 273	**-**	-
Borrowings	22	**200 000**	200 000	**-**	-
Provisions	24	**8 350**	41 600	**-**	-
Post-employment medical obligations	25	**3 504**	3 821	**-**	-
Accrual for straight-lining of leases	26	**12 519**	21 435	**-**	-
Current liabilities		**173 743**	191 222	**51 502**	43 557
Loans from Group companies	23	**-**	-	**45 918**	35 480
Borrowings	22	**8 346**	-	**-**	-
Provisions	24	**8 779**	20 378	**5 500**	-
Trade and other payables	27	**76 802**	76 334	**84**	773
Taxation	35	**-**	8 495	**-**	-
Bank overdraft	18	**-**	7 304	**-**	7 304
Employment benefit liability	28	**79 816**	78 711	**-**	-
Total liabilities		**445 711**	495 351	**51 502**	43 557
Total equity and liabilities		**1 359 151**	1 242 987	**662 314**	606 672

Consolidated Statement of Comprehensive Income

for the Year Ended 30 June 2012

	Notes	Group 30 June 2012 R'000	Group 30 June 2011 R'000	Company 30 June 2012 R'000	Company 30 June 2011 R'000
Gross revenue	29	**1 448 261**	1 351 254	**-**	-
Other income		**14 894**	31 978	**41 700**	25 142
Administrative expenses		**(1 183 960)**	(1 128 141)	**(7 154)**	(4 401)
IFRS 2 compliance adjustment	37	**(9 357)**	-	**(357)**	
Net finance income	31	**3 371**	1 478	**4 256**	6 245
- Finance income		**20 879**	17 138	**7 758**	8 049
- Finance costs		**(17 508)**	(15 660)	**(3 502)**	(1 804)
Depreciation	6	**(38 128)**	(44 170)	**-**	-
Core Healthcare profit		**235 081**	212 399	**38 445**	26 986
Fair value gain on investments	10	**13 162**	-	**-**	-
Provision for loss on guarantees	24	**(5 000)**	-	**(5 000)**	-
Share of profits from associates	10	**14 842**	10 888	**-**	-
Profit before impairment and amortisation		**258 085**	223 287	**33 445**	26 986
Reversal of impairment/(impairment) of investment		**1 175**	(10 266)	**-**	(10 266)
Impairment of intangible assets	8	**-**	(4 958)	**-**	-
Amortisation of intangible assets	8	**(36 356)**	(35 542)	**-**	-
Profit before income tax	30	**222 904**	172 521	**33 445**	16 720
Income tax	32	**(42 523)**	(45 982)	**7 733**	2 806
Profit for the year		**180 381**	126 539	**41 178**	19 526
Other comprehensive income:					
- Movement in foreign currency translation reserve		**(887)**	-	**-**	-
- Revaluation of investment in associate	10	**-**	-	**19 857**	-
Total comprehensive income for the year		**179 494**	126 539	**61 035**	19 526
Attributable to:					
Equity holders of the Parent		**163 619**	117 248	**61 035**	19 526
Non-controlling interest	21	**15 875**	9 291	**-**	-
		179 494	126 539	**61 035**	19 526
Earnings per share (cents) attributable to equity holders of the Parent					
- Basic	33	**61.55**	44.32	**-**	-
- Diluted	33	**52.31**	37.64	**-**	-

Consolidated Statement of Changes in Equity

for the Year Ended 30 June 2012

GROUP	Ordinary share capital R'000	Preference share capital R'000	Share premium R'000	Contingent shares to be issued R'000	Share-based payment reserve R'000	Foreign currency translation reserve R'000	Treasury shares R'000	Retained earnings R'000	Non-controlling interest R'000	Total equity R'000
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 non-controlling interest as a result of share buy-backs	-	-	-	-	-	-	-	7 007	(7 007)	**-**
Dividends paid (note 36)	-	-	(23 376)	-	-	-	-	-	(3 275)	**(26 651)**
Net profit for the year	-	-	-	-	-	-	-	117 248	9 291	**126 539**
Balance as at 1 July 2011	**2 659**	**166**	**369 235**	**188 540**	**-**	**241**	**(1 162)**	**167 171**	**20 786**	**747 636**
Issue of share capital	**5 579**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5 579**
Foreign currency translation reserve	**-**	**-**	**-**	**-**	**-**	**(887)**	**-**	**-**	**-**	**(887)**
IFRS 2 compliance adjustment (note 37)	**-**	**-**	**-**	**-**	**9 357**	**-**	**-**	**-**	**-**	**9 357**
Treasury shares revalued	**-**	**-**	**-**	**-**	**-**	**-**	**(610)**	**-**	**-**	**(610)**
Transfer from non-controlling interest as a result of share buy-backs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3 529**	**(3 529)**	**-**
Equity acquired on consolidation of Medscheme Zimbabwe	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**454**	**476**	**930**
Acquisition of Allegra (Pty) Ltd	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2 625**	**2 625**
Dividends reclaimed	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2 313**	**-**	**2 313**
Dividends paid (note 36)	**-**	**-**	**(28 274)**	**-**	**-**	**-**	**-**	**-**	**(5 610)**	**(33 884)**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**164 506**	**15 875**	**180 381**
Balance as at 30 June 2012	**8 238**	**166**	**340 961**	**188 540**	**9 357**	**(646)**	**(1 772)**	**337 973**	**30 623**	**913 440**

Consolidated Statement of Changes in Equity

for the Year Ended 30 June 2012

COMPANY	Ordinary share capital R'000	Preference share capital R'000	Share premium R'000	Contingent shares to be issued R'000	Share-based payment reserve R'000	Retained earnings R'000	Revaluation reserve R'000	Total equity R'000
Balance as at 1 July 2010	2 624	166	386 650	188 540	-	(17 011)	-	**560 969**
Issue of share capital	35	-	5 961	-	-	-	-	**5 996**
Dividends paid (note 36)	-	-	(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**
Issue of share capital	**5 579**	**-**	**-**	**-**	**-**	**-**	**-**	**5 579**
IFRS 2 compliance adjustment (note 37)	**-**	**-**	**-**	**-**	**9 357**	**-**	**-**	**9 357**
Dividends paid (note 36)	**-**	**-**	**(28 274)**	**-**	**-**	**-**	**-**	**(28 274)**
Revaluation of investment in associate (note 10)	**-**	**-**	**-**	**-**	**-**	**-**	**19 857**	**19 857**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**41 178**	**-**	**41 178**
Balance as at 30 June 2012	**8 238**	**166**	**340 961**	**188 540**	**9 357**	**43 693**	**19 857**	**610 812**

Consolidated Statement of Cash Flows

for the Year Ended 30 June 2012

	Note	Group 30 June 2012 R'000	Group 30 June 2011 R'000	Company 30 June 2012 R'000	Company 30 June 2011 R'000
Cash flows from operating activities					
Cash generated from operations	34	**255 152**	163 049	**32 419**	20 612
Finance income	31	**20 879**	17 138	**7 758**	8 049
Finance costs	31	**(17 508)**	(15 426)	**(3 502)**	(1 804)
Dividends paid	36	**(28 274)**	(26 035)	**(28 274)**	(23 376)
Dividends received		**6**	-	**-**	-
Taxation (paid)/refunded	35	**(61 050)**	(34 733)	**755**	-
Lease termination costs	24	**(53 000)**	-	**-**	-
Net cash inflow from operating activities		**116 205**	103 993	**9 156**	3 481
Cash flows from investing activities					
Purchase of property, plant and equipment		**(37 496)**	(22 869)	**-**	-
Purchase of in intangible assets		**(28 897)**	(55 016)	**-**	-
Proceeds on disposal of property, plant and equipment		**5 337**	2 898	**-**	-
Proceeds on disposal of intangible assets		**-**	5 603	**-**	-
Acquisition of Allegra (Pty) Ltd	4	**(3 968)**	-	**-**	-
Increase in shareholding of Medscheme Mauritius (formerly ACL	4	**-**	(21 135)	**-**	-
Dividends received from associates	10	**6 255**	948	**1 440**	-
Decrease in investment and loans to associates		**3 448**	702	**-**	-
Net cash (outflow) / inflow from investing activities		**(55 321)**	(88 869)	**1 440**	-
Cash flows from financing activities					
Dividends paid to shareholders with a non-controlling interest	36	**(5 610)**	(874)	**-**	-
Shares issued	19	**5 579**	5 996	**5 579**	5 996
Increase/(decrease) in borrowings	22	**8 346**	37 928	**-**	-
Increase in loans from/(to) Group companies		**-**	-	**418**	(8 910)
Net cash inflow/(outflow) from financing activities		**8 315**	43 050	**5 997**	(2 914)
Net increase in cash and cash equivalents		**69 199**	58 174	**16 593**	567
Cash and cash equivalents at the beginning of year	18	**172 711**	114 537	**2 968**	2 401
Cash and cash equivalents at the end of year	18	**241 910**	172 711	**19 561**	2 968
Disclosed as follows:					
Cash and cash equivalents	18	**241 910**	180 015	**19 561**	10 272
Bank overdraft	18	**-**	(7 304)	**-**	(7 304)
		241 910	172 711	**19 561**	2 968

012. NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

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 25 September 2012.

STATEMENT OF COMPLIANCE

The Company and the Group annual 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 2012.

BASIS OF PRESENTATION

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

The annual financial statements have been prepared under the historical cost convention except for the following:

Carried at fair value:

Financial instruments held for trading or designated at fair value through profit or loss; and Investment property held at fair value using independent market valuations.

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

A) AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2012, RELEVANT TO THE COMPANY'S OPERATIONS

IFRS	Effective date	Subject of amendment
Amendment to IFRS 7 Financial Instruments: Disclosures – Transfer of financial assets	1 July 2011	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 assets.
Amendment to IAS 24 - Related party disclosures	1 January 2011	This amendment provides partial relief from the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party.

B) AMENDMENTS TO PUBLISHED STANDARDS NOT EFFECTIVE IN 2012

IFRS	Effective date	Subject of amendment
Amendment to IFRS 1, 'First time adoption' on government loans	1 January 2013	This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.
Amendment to IFRS 7 Financial Instruments: Disclosures – Asset and Liability offsetting	1 January 2013	The IASB has published an amendment to IFRS 7, 'Financial instruments: Disclosures', reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.
Amendments to IAS 1, 'Presentation of Financial Statements', on presentation of items of OCI	1 July 2012	The IASB has issued an amendment to IAS 1, 'Presentation of financial statements'. The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The IASB originally proposed that all entities should present profit or loss and OCI together in a single statement of comprehensive income. The proposal has been withdrawn and IAS 1 will still permit profit or loss and OCI to be presented in either a single statement or in two consecutive statements. The amendment does not address which items should be presented in OCI and the option to present items of OCI either before tax or net of tax has been retained.
IAS 19, "Employee benefits"	1 January 2013	The IASB has issued an amendment to IAS 19, 'Employee benefits', which makes changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.
IFRS 9 – Financial Instruments (2009)	1 January 2013	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.
IFRS 9 – Financial Instruments (2010)	1 January 2013	The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.

1. Summary of Accounting Policies

Continued

B) AMENDMENTS TO PUBLISHED STANDARDS NOT EFFECTIVE IN 2012 CONTINUED

IFRS	Effective Date	Subject of amendment
Amendments to IFRS 9 – Financial Instruments (2011)	1 January 2015	The IASB has published an amendment to IFRS 9, 'Financial instruments' that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.
IFRS 10 – Consolidated financial statements	1 January 2013	This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.
IFRS 11 – Joint arrangements	1 January 2013	This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
IFRS 13 – Fair value measurement	1 January 2013	This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
IAS 27 (revised 2011) – Separate financial statements	1 January 2013	This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
IAS 28 (revised 2011) – Associates and joint ventures	1 January 2013	This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
Amendments to IAS 32 – Financial Instruments: Presentation	1 January 2014	The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

C) ANNUAL IMPROVEMENTS EFFECTIVE IN 2012 RELEVANT TO THE COMPANY'S OPERATIONS

IFRS	Effective date	Subject of amendment
IFRS 1 First-time Adoption of International Financial Reporting Standards	1 January 2011	• Accounting policy changes in the year of adoption • Revaluation basis as deemed cost • Use of deemed cost for operations subject to rate regulation • Measurement of non-controlling interests • Un-replaced and voluntarily replaced share-based payment awards
IFRS 7 Financial Instruments: Disclosures	1 January 2011	Clarification of disclosures
IAS 1 Presentation of Financial Statements	1 January 2011	Clarification of statement of changes in equity

1. Summary of Accounting Policies

Continued

D) ANNUAL IMPROVEMENTS NOT EFFECTIVE IN 2012 RELEVANT TO THE COMPANY'S OPERATIONS		
IFRS	**Effective date**	**Subject of amendment**
Amendments to IFRS 1, 'First time adoption of IFRS'	1 January 2013	• The amendment clarifies that an entity may apply IFRS 1 more than once under certain circumstances. • The amendment clarifies that an entity can choose to adopt IAS 23, 'Borrowing costs', either from its date of transition or from an earlier date. • The consequential amendment (as a result of the amendment to IAS 1 discussed below) clarifies that a first-time adopter should provide the supporting notes for all statements presented.
Amendment to IAS 1, 'Presentation of financial statements'	1 January 2013	The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either: as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or voluntarily.
Amendment to IAS 16, 'Property, plant and equipment'	1 January 2013	The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.
Amendment to IAS 32, 'Financial instruments: Presentation'	1 January 2013	The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.

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 and therefore the Group has not adopted them in the current financial year.

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. They are 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 year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the 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 12 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. 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, except

- deferred tax assets or liabilities, which are recognised and measured in accordance with International Accounting Standard (IAS) 12 Income Taxes, and liabilities or assets related to employee benefit arrangements, which are recognised and measured in accordance with IAS 19 Employee Benefits;
- liabilities or equity instruments that relate to the replacement, by the Group, of an acquiree's share-based payment awards,

1. Summary of Accounting Policies

Continued

which are measured in accordance with IFRS 2 Share-based Payments; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are measured in accordance with that standard.

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 non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the statement of comprehensive income. Purchases from non-controlling 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 using the equity method of accounting. Under this method the Company's share of the post-acquisition profits and losses of associates is recognised in the statement of comprehensive income and the share of post-acquisition reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss. Profits from associates are recorded for the year ended 30 June 2012 based on management accounts provided by the associate.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venture has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activities of the entity.
Investments in joint ventures are accounted for by the equity method of accounting. Under this method the Company's share of the post-acquisition profits and losses of joint ventures is recognised in the statement of comprehensive income as 'Share of

profit of joint venture' 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 a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Company and its joint ventures are eliminated to the extent of the Company's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the value of the interest, in the opinion of the directors, is below the carrying value and the diminution in value is considered not to be of a temporary nature, such cost is written down to the realisable value. A listing of the Group's and Company's principal associated and joint venture undertakings is shown in notes 10 and 11 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.

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, computer equipment and building infrastructure are recorded at cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

1. Summary of Accounting Policies
Continued

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
- Building infrastructure	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.

Profit and loss on the disposal of property, plant and equipment is charged to the statement of comprehensive income. In determining the estimated residual value, expected future cash flows have not been discounted to their net present values.

INVESTMENT PROPERTY

Investment property consists of land and buildings held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes; or
- sale in the ordinary course of business.

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 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 year in which they are incurred. Deferred tax on fair value adjustments is provided for at the capital gain tax rate of 18,67% (2011: 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 and intangible assets are amortised using the straight-line method over their useful lives. 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

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.

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 programs beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 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 of tangible and intangible assets'.

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

1. Summary of Accounting Policies

Continued

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.

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 year 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.

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; and
- 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 'fair value gains/(losses)' 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.

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;
- 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

1. Summary of Accounting Policies

Continued

of impairment. Management assesses the yearly cash requirements and the fair value in determining whether or not the asset will be held to maturity.

If there is objective evidence that an impairment loss has been incurred on held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The Group does not classify any financial assets as held to maturity if the entity has, during the current financial period or during the two preceding financial periods, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) other than sales or reclassifications that:

- are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Whenever sales or reclassification of more than an insignificant amount of held-to-maturity investments do not meet any of the conditions 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 no 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.

Trade and other receivables

Trade and other receivables comprise loans 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 to 'bad debts recovered'.

Prepayments and deposits

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

Cash and cash equivalents

Cash and cash equivalents are carried at fair value. For the purpose of the 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 asset 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.

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.

Fair value of financial instruments

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

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

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

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

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

Trade and other payables

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

Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlemen

1. Summary of Accounting Policies
Continued

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 4. Contingent liabilities are liabilities for which a reliable estimate can be made, yet the probability of an outflow of economic benefits is remote.

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

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 year to which they relate. The Group has no further payment obligations once the contributions have been paid.

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

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

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.

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 Group 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

Investments in subsidiaries are accounted for at cost less accumulated impairment in the separate annual financial statements of the Company.

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 recognised 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 situation in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the 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.

2. Critical Accounting Estimates and Assumptions

Dividend Tax and Secondary Tax on Companies

A new Dividend Tax system replaced the previous Secondary Tax on Companies (STC) system with effect from 1 April 2012. Under the new system, Dividends Tax will be borne by the shareholder receiving the dividend at a rate of 15%. Tax on dividends in specie will remain the liability of the company declaring the dividend. South African resident companies are, however, exempt from the new Dividends Tax. In respect of dividends, other than dividends in specie, the company declaring the dividend is required to withhold the Dividends Tax on payment. If the dividend is paid through a regulated intermediary, liability for the withholding tax shifts to the intermediary.

Dividends Tax will not need to be withheld if a written declaration is obtained from the shareholder stating that they are either entitled to an exemption or to double taxation relief.

Unutilised STC credits have to be utilised within three years from 1 April 2012. Unutilised STC credits will be apportioned among the recipients of future dividends and will reduce their Dividends Tax liability. Secondary Tax on Companies was previously provided for at a rate of 10% on the amount by which dividends declared by the Group exceeded dividends received carrying an STC credit.

Dividends declared during the current financial year, prior to 1 April 2012, were paid to the Group's shareholders. The Group has applied for the section 64 STC exemption.

DIVIDENDS

Dividends are recorded in the Group's annual financial statements in the period in which they are approved by the Group's directors.

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 with the original issue price of the shares reacquired. Any difference between the original issue price and the reacquisition price is recognised as an increase or decrease in the retained earnings. Where such treasury shares are acquired and held other members of the consolidated group the consideration paid or received is recognised directly in equity as a treasury share reserve.

SHARE-BASED PAYMENTS

The Group has applied the requirements of IFRS 2 Share-based payments. The Group issued equity-settled share-based payments to certain employees, which are measured at fair value at the date of grant and expensed over the vesting period, based on the Group's estimate of shares that will eventually vest. The fair value of share options issued with non-market vesting conditions has been calculated using the Binomial Lattice Valuation Model. For the share scheme with non-market related vesting conditions, the likelihood of vesting has been taken into account when determining the relevant charge. Vesting assumptions are reviewed at each reporting period to ensure that they reflect current expectations.

CONSOLIDATION PROCEDURES

In order that the consolidated annual financial statements present financial information about the G roup 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 4: Business Combinations, which describes the treatment of any resultant goodwill);
(ii) non-controlling interests in the profit or loss of consolidated subsidiaries for the reporting period are identified; and
(iii) non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the parent shareholders' equity in them. Non-controlling interests in the net assets consist of:
  - the amount of those non-controlling interests at the date of the original combination

2. Critical Accounting Estimates and Assumptions

Continued

calculated in accordance with IFRS 3; and
- the non-controlling interest's share of changes in equity since the date of the combination.

ACQUISITION OF ALLEGRA (PROPRIETARY) LIMITED

As part of the purchase price allocation of Allegra (Proprietary) Limited transaction in September 2011, the Group identified the following intangible assets:

Contractual customer relationships

The existing customer contracts with external parties will result in an inflow of economic benefits to the Group and as a result 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 11.03% was used, which was considered to be appropriate for the industry in which Allegra (Proprietary) Limited operated at the date of acquisition. The useful life of this intangible asset has been estimated to be five years.

Computer software

Allegra (Proprietary) Limited operates the following operational software systems:
- Allegra (Proprietary) Limited developed various software applications for use in the pharmaceutical industry. The value of these applications was determined using the discounted cash flow technique and based on management's estimates of the cash flows attributable to these applications for the next five years. A discount rate of 11.03% was used, which was considered to be appropriate for the industry in which Allegra (Proprietary) Limited operated at the date of acquisition. The useful life of this intangible asset has been estimated to be 5 years.

ACQUISITION OF MEDSCHEME (MAURITIUS) LIMITED (FORMERLY "ADMINISTRATORS AND CONSULTANTS LIMITED")

As part of the purchase price allocation of the Medscheme (Mauritius) 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 Medscheme (Mauritius) Limited operated at the date of acquisition. The useful life of this intangible asset has been estimated to be five years.

Computer software

Medscheme (Mauritius) Limited operates the following operational software systems:
- Medscheme (Mauritius) 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.

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

2. Critical Accounting Estimates and Assumptions

Continued

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 transfer's 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.

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 2012:

- deferred tax assets: R86,5 million (June 2011: R67 million)
- deferred tax liabilities: R47,6 million (June 2011: R37,3 million)
- taxation: R2,3 million asset (June 2011: R8,5 million liability)

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.

POST-EMPLOYMENT MEDICAL OBLIGATIONS

The determination of the Group's obligation and expense for post-employment medical obligations depends on the selection of certain assumptions used by actuaries to calculate amounts. The assumptions include the rate of discount, consumer price index inflation, healthcare cost inflation and certain demographic assumptions. While the Group believes that these assumptions are appropriate, significant changes in the assumptions may materially affect pension and other post-employment obligations as well as future expenses, which may result in an impact on earnings in the years that the changes in the assumptions occur. The carrying value of post-employment medical obligations was R3,504 million (June 2011: R3,821 million) and is detailed in note 25 of the annual financial statements.

IMPAIRMENT OF GOODWILL

The carrying amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the cash-generating units (CGU) has been determined based on value-in-use calculation, being the net present value of the discounted cash flows of the CGU less the tangible net asset value of that CGU. Details of the main assumptions applied in determining the net present value of the CGU are provided in note 8 in these 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

3. Financial Risk Management

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 2012 was R107.3 million (June 2011: R111,2 million) and R611 million (June 2011: R609,6 million) respectively.

GENERAL

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

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

Primary responsibility for risk management at an operational level rests with the executive committee. Management and various specialist committees are tasked with integrating the management of risk into the day-to-day activities of the Group. Refer to the Corporate Governance statement for more detail regarding the committees involved in risk management. The Healthcare and Administration business activities are exposed to a variety of financial risks:

- market risk;
- credit risk;
- liquidity risk;
- litigation and legal risk.

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

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

MARKET RISK

Currency risk

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

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk which are detailed in note 12 of the annual financial statements. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The Group is not exposed to any currency 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, Mauritius and Zimbabwe) bear currency risk. The most significant exposure is to the Mauritian Rupee, the Botswana Pula and the US Dollar, which Zimbabwe makes use of. The value of the investments are R28,9 million (June 2011: R28,9 million), R5,7 million (June 2011: R6,5 million) and R3,9 million (June 2011: Rnil) respectively. The impact of currency risk on profit and loss amounted to a loss of R0,01 million (June 2011: R1,1 million loss).

Price risk

The Group is exposed to equity securities price risk due to its investment in its associate, Jasco Electronics Holdings Limited, which is a listed entity on the JSE Securities Exchange. As such, the fair value of the investment is affected by changes in the share price. The Company's own shares are also listed on the JSE Securities Exchange.

Cash flow and fair value interest rate risk

The interest rates of operating leases to which the Group is lessor or lessee are varying interest rates fixed to prime at

3. Financial Risk Management

Continued

Instruments exposed	Increase in 1% on statement of comprehensive income R'000
June 2012	
Preference dividend	**72**
Bank borrowings	**(2 000)**
Onerous lease provision	**-**
Bank balances and short-term investments	**2 073**
Total	**145**
June 2011	
Preference dividend	(142)
Bank borrowings	75
Onerous lease provision	448
Bank balances and short-term investments	1 220
Total	1 601

inception of the contract. These leases expose the "Healthcare business" to cash flow 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.

Interest rate risks

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

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments.
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair value.
- Changes in market interest rates affect the fair value of the derivative financial instruments designated as hedging instruments and all interest rate hedges are expected to be highly affected.

Under these assumptions, a 1% increase in market interest rates at 30 June 2012 would increase profit before tax by approximately R145 000 (June 2011: R1,6 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 Group's 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.

3. Financial Risk Management

Continued

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 liquidity reserve on the basis of expected cash flow.

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

TIME BUCKETS APPLICABLE TO THE GROUP

Group	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 years R'000	More than 1 year R'000	Total R'000
June 2012						
Borrowings	**8 346**	**-**	**-**	**-**	**200 000**	**208 346**
Trade payables	**69 899**	**2 301**	**2 301**	**2 301**	**-**	**76 802**
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

TIME BUCKETS APPLICABLE TO THE COMPANY

Company	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	More than 1 year R'000	Total R'000
June 2012						
Loans from Group companies	**45 918**	**-**	**-**	**-**	**-**	**45 918**
Trade payables	**84**	**-**	**-**	**-**	**-**	**84**
June 2011						
Loans from Group companies	35 480	-	-	-	-	35 480
Trade payables	773	-	-	-	-	773
Bank overdraft	7 304	-	-	-	-	7 304

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 2012					
Trade and other receivables	**98 351**	**2 859**	**2 859**	**4 442***	**108 511**
June 2011					
Trade and other receivables	83 075	2 892	2 892	4 151*	93 010

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

3. Financial Risk Management

Continued

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 2012					
Trade and other receivables	**1 270**	**-**	**-**	**-**	**1 270**
June 2011					
Trade and other receivables	773	-	-	-	773

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

			CARRYING VALUE			
Description per the statement of financial position	**Fair value**	**Amortised cost**	**Group June 2012 R'000**	Group June 2011 R'000	**Company June 2012 R'000**	Company June 2011 R'000
Loans and receivables						
Trade and other receivables		✓	**108 511**	93 010	**1 270**	773
Cash and cash equivalents	✓		**241 910**	180 015	**19 561**	10 272
Financial liabilities measured at amortised cost						
Borrowings (non-current and current)		✓	**208 346**	200 000	**-**	-
Trade and other payables		✓	**76 802**	76 334	**84**	773
Bank overdraft		✓	**-**	7 304	**-**	7 304

LITIGATION AND LEGAL RISK

Legal risk is the risk that the Group will be exposed to contractual obligations which have not been provided for. The Group's legal and secretarial department with assistance from legal advisers monitor the risk monthly. The Group has a policy ensuring contractual obligations are documented and evidenced to agreements with the relevant parties to the contract.

CAPITAL RISK MANAGEMENT

The objective of the Group 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 Group 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 Group monitors cash flow on the basis of the gearing ratio. This ratio is calculated as long-term debt divided by total capital employed. Total capital employed is calculated as 'Equity' as shown in the statement of financial position plus long-term debt.

4. Business Combinations

AfroCentric Investment Corporation Limited acquired AfroCentric Health Limited (formerly "Lethimvula Investments Limited") 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 AfroCentric Health Limited is attributable to the increased profitability anticipated as a result of the strong market position that the Group will hold in future as the largest black-owned medical aid scheme administrator in South Africa. In addition, it is the intention of the Group to expand the range of financial services currently offered, particularly those in the financial services business units.

IFRS CONTINGENT LIABILITIES

The contingent liabilities which remained after the purchase price of the AfroCentric Health Limited 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:

2012	Maximum loss R'000	Probability %	Fair value R'000
Asset finance transaction	**-**	**50%**	**-**
Neil Harvey & Associates	**83 500**	**10%**	**8 350**
	83 500		**8 350**
2011			
Asset finance transaction	31 562	50%	15 781
Neil Harvey & Associates	83 500	10%	8 350
	115 062		24 131

	June 2012 R'000	June 2011 R'000
Carrying amount of IFRS 3 contingent liabilities at beginning of year	**24 131**	39 911
Fair value adjustments	**(15 781)**	(15 780)
Carrying amount of IFRS 3 contingent liabilities at end of period	**8 350**	24 131

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 statement of comprehensive income.

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

PURCHASE OF ALLEGRA (PROPRIETARY) LIMITED

Helios IT Solutions (Proprietary) Limited acquired 51% of the issued share capital of Allegra (Proprietary) Limited on 1 September 2011. 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 Allegra (Proprietary) Limited is attributable to the increased profitability anticipated as a result of the Allegra employees' knowledge of the Healthcare IT industry.

The Acquisition of Allegra (Proprietary) Limited is being accounted for using the purchase price method of accounting, which requires that the assets and liabilities of Allegra (Proprietary) Limited to be measured at fair value at 1 September 2011.

4. Business Combinations

Continued

Intangible assets arising from the purchase of subsidiary companies

At the time of the purchase of Allegra (Proprietary) 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 customer relationships and those relating to intellectual property acquired on developed IT software. The expected cash flows, which were determined using a market related operational model, 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 the Cash Generating Unit as follows:

- Allegra (Proprietary) Limited 11,03%

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 September 2011, and the resulting goodwill, are presented below:

ALLEGRA (PROPRIETARY) LIMITED		1 September 2011
	R'000	R'000
Fair value of 100% net asset value at acquisition		1 595
Property, equipment and motor vehicles	278	
Intangible assets	2 455	
Cash resources	32	
Trade debtors and other receivables	415	
Trade creditors and other payables	(1 585)	
Net fair value of intangibles at acquisition		3 762
Fair value of customer relationships acquired	1 726	
Fair value of internally developed software acquired	3 499	
Deferred taxation on intangible assets acquired	(1 463)	
Fair value of Allegra (Proprietary) Limited at date of acquisition		5 357
Fair value of 51% shareholding at acquisition		2 732
Net cash outflow for the purchase of 51% shareholding		4 000
Goodwill arising from acquisition		**1 268**
Cash outflow for the purchase of 51% shareholding		(4 000)
Cash resources acquired on acquisition		32
Net cash outflow		**(3 968)**

PURCHASE OF MEDSCHEME (MAURITIUS) LIMITED (FORMERLY "ADMINISTRATORS AND CONSULTANTS LIMITED")

On 1 October 2010, Medscheme Holdings (Proprietary) Limited completed the acquisition of a further 70% of the shares of Medscheme (Mauritius) Limited. This foreign company registered in Mauritius was previously recognised as an associate under the equity method.

The shareholders of AfroCentric Health 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%. The acquisition of Medscheme (Mauritius) Limited is being accounted for using the purchase price method of accounting, which requires that the assets and liabilities of Medscheme (Mauritius) Limited be measured at fair value at 1 October 2010.

Intangible assets arising from the purchase of subsidiary companies

At the time of the purchase of Medscheme (Mauritius) 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, which were determined using a market-related operational model, 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 the Cash Generating Unit as follows:

- Administrators and Consultants Limited 18.22%

MEDSCHEME (MAURITIUS) LIMITED		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)
Property, equipment and motor vehicles	1 145	
Intangible assets	230	
Trade debtors and other receivables	3 964	
Cash resources	10 602	
Post-employment obligations	(462)	
Trade creditors and other payables	(7 420)	
Net fair value of intangibles acquired		(5 438)
Value of customer relationships acquired – Healthcare Administration	6 139	
Value of intellectual property acquired – Schema 6 software	1 415	
Deferred taxation on intangible assets	(2 116)	
Goodwill arising from acquisition		**15 398**

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 above: The goodwill arising from the acquisition of Medscheme (Mauritius) Limited is attributable to the increased profitability anticipated as a result of the potential growth in the Group's products in the international market. The goodwill has been allocated to the cash-generating units using the expected future cash flows from each unit as a basis for allocation.

5. Segment Information

2012	Healthcare Administration R'000	Electronics R'000	Treasury R'000	Administration R'000	Elimination R'000	Group R'000
Gross revenue	1 449 029	-	-	-	(768)	1 448 261
Other income	14 457	-	-	41 700	(41 263)	14 894
Administration expenses	(1 191 258)	-	-	(7 154)	14 452	(1 183 960)
Amortisation of intangibles	(31 024)	-	-	-	(5 332)	(36 356)
Depreciation	(38 128)	-	-	-	-	(38 128)
Reversal of impairment/ (impairment) of investment	1 175	-	-	-	-	1 175
Net finance income	12 981	-	7 758	(17 368)	-	3 371
- Finance income	13 690	-	7 758	2 456	(3 025)	20 879
- Finance cost	(709)	-	-	(19 824)	3 025	(17 508)
IFRS 2 compliance adjustment	(9 000)	-	-	(357)	-	(9 357)
Fair value gain on investment in associate	-	-	-	13 162	-	13 162
Provision for loss on guarantees				(5 000)	-	(5 000)
Share of profit of associate	8 854	5 988	-	-	-	14 842
Profit/(loss) before taxation	**217 086**	**5 988**	**7 758**	**24 983**	**(32 911)**	**222 904**
Income tax expense	(47 564)	-	(390)	3 938	1 493	(42 523)
Profit/(loss) for the year	**169 522**	**5 988**	**7 368**	**28 921**	**(31 418)**	**180 381**
Segment assets	**977 763**	**-**	**119 561**	**1 366 461**	**(1 104 634)**	**1 359 151**
Segment liabilities	**223 007**	**-**	**257 794**	**518 094**	**(553 184)**	**445 711**
Capital expenditure	(58 348)	-	-	-	(8 045)	(66 393)
Depreciation and amortisation	(69 152)	-	-	-	(5 332)	(74 484)
Reversal of impairment/ (impairment) of investment	1 175	-	-	-	-	1 175

Nature of business segments:

- Healthcare administration – consists of medical scheme administration and managed healthcare services via AfroCentric Health Limited.
- Electronics – consists of the investment in Jasco Electronics Holdings Limited.
- Treasury – consists of the investment in preference shares and other like clients.
- 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.

5. Segment Information

Continued

2011	Healthcare Administration R'000	Electronics R'000	Treasury R'000	Administration R'000	Elimination R'000	Group R'000
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 AfroCentric Health Limited.
- Electronics – consists of the investment in Jasco Electronics Holdings Limited.
- Treasury – consists of the investment in preference shares and other like clients.
- Administration – consists of the administration activities of the holding company.

Geographical segments:

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

6. Property, Plant and Equipment

GROUP	Motor vehicles R'000	Building infrastructure R'000	Computer equipment R'000	Furniture and fittings R'000	Office equipment R'000	Total R'000
Year ended 30 June 2012						
Opening carrying amount	**493**	**335**	**63 906**	**25 577**	**10 772**	**101 083**
Additions	**908**	**40**	**23 321**	**6 267**	**8 296**	**38 832**
Disposals	**(71)**	**-**	**(3 618)**	**(918)**	**(164)**	**(4 771)**
Depreciation charge	**(303)**	**(209)**	**(27 482)**	**(6 735)**	**(3 399)**	**(38 128)**
Reclassification	**-**	**(12)**	**4 548**	**(3 179)**	**(1 357)**	**-**
Closing carrying amount	**1 027**	**154**	**60 675**	**21 012**	**14 148**	**97 016**
At 30 June 2012						
Cost	**2 599**	**392**	**183 550**	**61 455**	**30 778**	**278 774**
Accumulated depreciation	**(1 572)**	**(238)**	**(122 875)**	**(40 443)**	**(16 630)**	**(181 758)**
Closing carrying amount	**1 027**	**154**	**60 675**	**21 012**	**14 148**	**97 016**
Year 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)
Closing carrying amount	493	335	63 906	25 577	10 772	101 083

7. Investment Property

	June 2012 R'000	June 2011 R'000
Opening fair value (2011: original cost)	**10 100**	8 543
Fair value gain	**200**	1 557
Closing fair value	**10 300**	10 100

Investment property consists of land, portion 108 (a portion of portion 27) of the farm Weltevreden 202.

The Company has elected the fair value model in terms of IAS 40 (Investment Property). At 30 June 2012 the land was revalued to an amount of R10 300 000.

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.

8. Intangible Assets

GROUP	Goodwill R'000	Licences R'000	Intellectual property R'000	Computer software R'000	Development costs R'000	Customer relationships R'000	Brands R'000	Total R'000
Year ended 30 June 2012								
Opening carrying amount	**429 073**	**-**	**6 782**	**37 106**	**40 970**	**80 875**	**14 746**	**609 552**
Additions	**9 313**	**-**	**3 499**	**2 346**	**20 961**	**1 727**	**-**	**37 846**
Amortisation charge for the year	**-**	**-**	**(2 798)**	**(12 563)**	**(4 101)**	**(14 951)**	**(1 943)**	**(36 356)**
Closing carrying amount	**438 386**	**-**	**7 483**	**26 889**	**57 830**	**67 651**	**12 803**	**611 042**
At 30 June 2012								
Cost	**438 386**	**-**	**15 301**	**83 296**	**66 718**	**124 331**	**22 938**	**750 970**
Accumulated impairment	**-**	**-**	**-**	**(4 366)**	**-**	**(6 462)**	**(3 200)**	**(14 028)**
Accumulated amortisation	**-**	**-**	**(7 818)**	**(52 041)**	**(8 888)**	**(50 218)**	**(6 935)**	**(125 900)**
Closing carrying amount	**438 386**	**-**	**7 483**	**26 889**	**57 830**	**67 651**	**12 803**	**611 042**
Year ended 30 June 2011								
Opening carrying amount	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)
Closing carrying amount	429 073	-	6 782	37 106	40 970	80 875	14 746	609 552
At 30 June 2011								
Cost	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)
Closing carrying amount	429 073	-	6 782	37 106	40 970	80 875	14 746	609 552

8. Intangible Assets

Continued

	Group June 2012 R'000	Group June 2011 R'000	Company June 2012 R'000	Company June 2011 R'000
Goodwill	**438 386**	429 073	**-**	-
Computer software	**26 889**	37 106	**-**	-
Development costs	**57 830**	40 970	**-**	-
Intellectual property	**7 483**	6 782	**-**	-
Customer relationships	**67 651**	80 875	**-**	-
Brand	**12 803**	14 746	**-**	-
	611 042	609 552	**-**	-

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

	Group June 2012 R'000	Group June 2011 R'000	Company June 2012 R'000	Company June 2011 R'000
AfroCentric Health Limited* – healthcare administration	**308 792**	300 747	**-**	-
AfroCentric Health Limited* – health risk management	**89 298**	89 298	**-**	-
Aid for Aids Management (Proprietary) Limited** – healthcare administration	**23 490**	23 490	**-**	-
Medscheme Mauritius Limited*** - local administration	**4 969**	4 969	**-**	-
Medscheme Mauritius Limited*** - international administration	**10 569**	10 569	**-**	-
Allegra (Proprietary) Limited – healthcare IT support	**1 268**	-	**-**	-
	438 386	429 073	**-**	-

** Formerly "Lethimvula Investments Limited" ** Formerly "Lethimvula Healthcare (Proprietary) Limited" *** Formerly "Administrators and Consultants*

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 6,11% as at 15 June 2012.
- A market risk premium of 6% is justified as the overall risk is to the downside. CPI growth for 2012 is forecast to be 6%.
- Beta of 0,55 is appropriate.

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

9. Financial Instruments

9.1 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 2012, trade receivables of R1,4 million (June 2011: R4,0 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 2012 R'000	June 2011 R'000
At beginning of the period	**7 969**	7076
(Reversal of provision)/provision for doubtful debts	**(2 908)**	893
Bad debts written off	**(39)**	-
	5 022	7 969

DISCLOSURE OF TRADE DEBTORS

	June 2012 R'000	June 2011 R'000
Gross trade debtors	**80 546**	66 642
Provision for impairment of trade receivables as above	**(5 022)**	(7 969)
Net trade debtors (note 15)	**75 524**	58 673

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 regards 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.

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

The other classes within trade and other receivables, detailed in note 15, do not contain impaired assets.

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

9.2 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.

9. Financial Instruments

Continued

9.3 CASH AND CASH EQUIVALENTS

	Group June 2012 R'000	Group June 2011 R'000	**Company June 2012 R'000**	Company June 2011 R'000
Cash at bank and short-term bank deposits				
AAA – Absa Bank Limited	**154 644**	91 822	**9 298**	69
AA – Nedbank Limited	**87 266**	88 193	**10 263**	10 203
Bank overdraft				
AAA – Absa Bank Limited	**-**	(7 304)	**-**	(7 304)
Total cash at bank and short-term bank deposits	**241 910**	172 711	**19 561**	2 968

10. Investment in Associates

	Group June 2012 R'000	Group June 2011 R'000	Company June 2012 R'000	Company June 2011 R'000
Carrying amount at beginning of year	**63 859**	69 788	**40 088**	50 354
Medscheme (Mauritius) Limited* now disclosed as a subsidiary		(5 864)	**-**	-
Share of profit after tax	**14 842**	10 888	**-**	-
Foreign exchange gain	**-**	(63)	**-**	-
Dividends received	**(6 255)**	(948)	**-**	-
Fair value gain on investment in associate	**13 163**	-	**-**	-
Revaluation of investment in associate	**-**	-	**19 858**	-
Reversal of impairment/(impairment) of investment in associate	**2 475**	(9 942)	**-**	(10 266)
Investment in Sigma Health Fund Managers written off	**(1 319)**	-	**-**	-
Carrying amount at end of year	**86 765**	63 859	**59 946**	40 088

** Formerly "Administrators and Consultants Limited"*

Jasco Electronics Holdings Limited is a listed entity with publicly traded shares. The share price on 30 June 2012 determined the revaluation in the Company and the fair value gain in the Group.

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 2012 R'000	Group June 2011 R'000
Total assets	**971 303**	751 257
Total liabilities	**538 557**	408 069
Total revenue	**1 289 149**	773 000
Net profit attributable to ordinary shareholders	**52 490**	9 527

10. Investment in Associates

Continued

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

	Reporting date	Number of shares held	Percentage holdings (2012 and 2011)		GROUP June 2012 R'000	GROUP June 2011 R'000	COMPANY June 2012 R'000	COMPANY June 2011 R'000
Directly held – listed								
Jasco Electronics Holdings Limited	30 June	39 963 793	27,3	27,3	**59 946**	42 235	**59 946**	40 088
Unlisted								
Associated Fund Administrators Botswana (Proprietary) Limited	30 September	25 000	25	25	**5 746**	6 447	**-**	-
Tradebridge (Proprietary) Limited	30 September	3 000 000	28	30	**16 434**	9 365	**-**	-
Medscheme EDI (Proprietary) Limited*	29 February	50	50	50	**-**	-	**-**	-
Sigma Health Fund Managers (Proprietary) Limited#	31 December	35 000	-	35	**-**	1 354	**-**	-
Agility Broker Service (Pty) Ltd	31 December	12 500	25	25	**4 639**	4 458	**-**	-
					86 765	63 859	**59 946**	40 088

** Pending deregistration # Sigma Health Fund Managers (Proprietary) Limited ceased trading and was wound down during the year under review. A final distribution amounting to R1,02 million was paid to Medscheme Holdings (Proprietary) Limited during April 2012. The impairment relating to this investment was reversed and the investment was written off.*

All the above are incorporated in South Africa except for Associated Fund Administrators Botswana (Proprietary) Limited which is incorporated in Botswana. Due to the Group's non-controlling interest 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 (Proprietary) Limted

	1 July 2011 R'000 Opening carrying amount	Share of after tax profits	Fair value gain	Impairment reversals	Investment write off	Dividends received	30 June 2012 R'000 Closing carrying amount
Directly held – listed							
Jasco Electronics Holdings Limited	42 235	5 988	13 163	-	-	(1 440)	59 946
Unlisted							
Associated Fund Administrators Botswana (Proprietary) Limited	6 447	1 604	-	-	-	(2 305)	5 746
Tradebridge (Proprietary) Limited	9 365	7 069	-	-	-	-	16 434
Medscheme EDI (Proprietary) Limited*	-	-	-	-	-	-	-
Sigma Health Fund Managers (Proprietary) Limited	1 354	-	-	2 475	(1 319)	(2 510)	-
Agility Broker Services (Pty) Ltd	4 458	181	-	-	-	-	4 639
	63 859	14 842	13 163	2 475	(1 319)	(6 255)	86 765

** Amounts less than R1 000*

11. Investment in Joint Venture

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

	Number of shares held	Percentage holdings	June 2012 R'000	June 2011 R'000
Unlisted				
Exclusive Health (Proprietary) Limited	50	50	-*	-*

** Amounts less than R1 000*

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

	June 2012 R'000	June 2011 R'000
Tangible assets	-	-
Intangible assets	-	-
Current assets		
Total assets	-	-
Non-current liabilities	-	-
Current liabilities	-	-
Total liabilities	-	-
Net profit attributable to ordinary shareholders	-	874

12. Investment in Subsidiaries

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
Unlisted investments at cost	-	-	*	*

** Amounts less than R1 000*

Name	Main business	Country of incorporation	Interest held
2012 and 2011			
Directly held			
AfroCentric Resources (Pty) Ltd	Dormant	South Africa	100%
AfroCentric Capital (Pty) Limited	Dormant	South Africa	100%
ACT Healthcare Assets (Pty) Ltd	Investment holding	South Africa	100%
ACT Funding (Pty) Ltd	Financing	South Africa	100%
Indirectly held			
AfroCentric Health Limited*	Healthcare administration	South Africa	93.17%

* Formerly "Lethimvula Investments Limited"

13. Investment in Preference Shares

	Group June 2012 R'000	Group June 2011 R'000	**Company June 2012 R'000**	Company June 2011 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 and previous years, has substantially increased its ability to redeem the preference shares.

14. Deferred Income Tax Assets

GROUP	Capital allowances R'000	Provisions R'000	Prepayments R'000	Assessed loss R'000	Business combinations R'000	STC credits R'000	Total R'000
Deferred income tax assets							
Balance as at 1 July 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
(Charge)/credit to profit for the year	-	(8 931)	-	26 047	-	2 316	19 432
Balance as at 30 June 2012	**-**	**28 043**	**-**	**54 931**	**-**	**3 507**	**86 481**
Deferred income tax liabilities							
Balance as at 1 July 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)
(Charge)/credit to profit for the year	(15 191)	-	(403)	-	5 272	-	(10 322)
Balance as at 30 June 2012	**(22 265)**	**-**	**(1 068)**	**-**	**(24 262)**	**-**	**(47 595)**
COMPANY							
Balance as at 1 July 2010	-	-	-	-	-	-	-
Credit to profit for the year	-	-	-	1 291	-	1 191	2 482
Balance as at 30 June 2011	-	-	-	1 291	-	1 191	2 482
Charge to profit for the year	-	1 400	-	1 604	-	2 316	5 320
Balance as at 30 June 2012	-	1 400	-	2 895	-	3 507	7 802

The unrecognised portion of assessed losses for June 2012 was Rnil (June 2011: R20,786 million)

15. Trade and Other Receivables

	Group June 2012 R'000	Group June 2011 R'000	Company June 2012 R'000	Company June 2011 R'000
Trade debtors (net of provisions) (note 9)	**75 524**	58 673	**-**	-
Deposits	**1 583**	1 259	**-**	-
Prepayments	**11 439**	11 568	**-**	-
Sundry debtors	**8 100**	12 656	**1 270**	773
Sublease debtors and other	**11 865**	8 854	**-**	-
	108 511	93 010	**1 270**	773

16. Receivables from Subsidiaries

	Effective % holding	Group June 2012 R'000	Group June 2011 R'000	Company June 2012 R'000	Company June 2011 R'000
ACT Healthcare Assets (Pty) Ltd	100%	**-**	-	**471 797**	452 777
		-	-	**471 797**	452 777

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 charges.

17. Receivables from Associate

	Group June 2012 R'000	Group June 2011 R'000	Company June 2012 R'000	Company June 2011 R'000
Receivable from associate – Tradebridge (Pty) Ltd	**14 591**	18 039	**-**	-
Loan receivable	**14 591**	18 039	**-**	-
Impairment provision	**-**	-	**-**	-
Total receivables from associates	**14 591**	18 039	**-**	-

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.

18 Cash and Cash Equivalents

	Group June 2012 R'000	Group June 2011 R'000	**Company June 2012 R'000**	Company June 2011 R'000
Cash at bank and on hand	**241 910**	180 015	**19 561**	10 272
Bank overdraft	**-**	(7 304)	**-**	(7 304)
	241 910	172 711	**19 561**	2 968

The Company 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. A R5 million provision for loss against this guarantee has been raised in the current year. Refer to note 24 for details of this provision.

The effective interest rate applicable to cash at bank is 5,4% (Jun 2011: 6,5%)

Refer to note 9.3 for details of the credit ratings of the banks at which cash is held.

19. Issued Share Capital

	Group June 2012 R'000	Group June 2011 R'000	Company June 2012 R'000	Company June 2011 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:				
Issued ordinary shares at 30 June 2012: 268 231 817 made up as follows:				
268 231 817 (June 2011: 265 947 672) ordinary shares of 1 cent each	**8 238**	2 659	**8 238**	2 659
- Opening balance	**2 659**	2 624	**2 659**	2 624
- Issue of share capital	**5 579**	35	**5 579**	35
Issued preference share capital				
16 638 000 (June 2011: 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 (note 20)	**340 961**	369 235	**340 961**	369 235
	349 365	372 060	**349 365**	372 060

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 to preference and ordinary shareholders.

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

- The election 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 election shall be calculated by a pre-defined formulae.
- The election may be exercised in whole or in part and any right of election not exercised by 31 December 2013 shall lapse.

Contingent shares to be issued

In terms of the AfroCentric Health Limited acquisition agreement, the vendors of shares in AfroCentric Health Limited 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 the Company owns 100% of AfroCentric Health Limited. The Company will implement the allotment to the vendors of "Contingent shares to be issued", the number not exceeding 138,5million shares. The allotment of such shares will be reduced in terms of the formula, should the warranted profits not be attained.

Share repurchase – Offer to share-holders with non-controlling interests

In terms of the Securities Regulation Code on Take-Overs and Mergers ("SRP Code") the Company was obliged to make an offer to all shareholders of AfroCentric Health Limited to acquire all of their AfroCentric Health Limited shares on the same terms and conditions as those on which the AfroCentric Health Limited shares were purchased by the Company from the sellers as detailed above. The offer opened in January 2009 and the terms of the offer remain available to any shareholder wishing to sell their shares. On 30 June 2012 the Company held 93,17% in AfroCentric Health Limited.

20. Share Premium

	Group June 2012 R'000	Group June 2011 R'000	**Company June 2012 R'000**	Company June 2011 R'000
Opening Balance	**369 235**	386 650	**369 235**	386 650
Issue of share capital	**-**	5 961	**-**	5 961
Dividend paid (note 36)	**(28 274)**	(23 376)	**(28 274)**	(23 376)
Closing balance	**340 961**	369 235	**340 961**	369 235

21. Non-Controlling Interest

	Group June 2012 R'000	Group June 2011 R'000	**Company June 2012 R'000**	Company June 2011 R'000
Balance at the beginning of the year	**20 786**	21 777	**-**	-
Dividends distributions (note 36)	**(5 610)**	(3 275)	**-**	-
Consolidation of Medscheme Zimbabwe	**476**	-	**-**	-
Acquisition of Allegra (Pty) Ltd (note 4)	**2 625**	-	**-**	-
Share buy back from non-controlling interests	**(3 529)**	(7 007)	**-**	-
Share of net profit of subsidiary	**15 875**	9 291	**-**	-
	30 623	20 786	**-**	-

22. Borrowings

	Group June 2012 R'000	Group June 2011 R'000	**Company June 2012 R'000**	Company June 2011 R'000
Bank borrowings	**208 346**	200 000	**-**	-
	208 346	200 000	**-**	-
Maturity analysis				
Non-current	**200 000**	200 000	**-**	-
Current	**8 346**	-	**-**	-
	208 346	200 000	**-**	-

The interest-bearing borrowings above bear interest at 93,5% (June 2011: 85%) of the prime rate.

22. Borrowings

Continued

Bank borrowings

The bank has provided Medscheme Holdings (Pty) Ltd an aggregate amount of facilities of R60 million (June 2011: R60,05 million), which includes overdraft and other loan facilities. The bank has provided AfroCentric Investment Corporation Limited facilities of R10 million (June 2011: 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 Asset Management (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.

23. Loans From Group Companies

	Group June 2012 R'000	Group June 2011 R'000	**Company June 2012 R'000**	Company June 2011 R'000
Lethimvula Investments Limited	**-**	-	**45 918**	35 480
	-	-	**45 918**	35 480

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

24. Provisions

GROUP	Audit fees R'000	Medical scheme refunds R'000	Onerous contract R'000	IFRS 3 contingency R'000	Loss on guarantees R'000	Total R'000
Balance as at 1 July 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
Charged/(credited) to the statement of comprehensive income:						
- additional provisions	4 388	-	-	-	5 000	9 388
- reversal of provisions		-	(34 050)*	-	-	(34 050)
- prior period under provision	62	-	-	-	-	62
- utilised during the year	(4 468)	-	-	(15 781)	-	(20 249)
Balance as at 30 June 2012	**3 183**	**-**	**596**	**8 350**	**5 000**	**17 129**

Analysis of provisions:

GROUP	Group June 2012 R'000	Group June 2011 R'000
Non-current portion	**8 350**	41 600
Current portion	**8 779**	20 378
	17 129	61 978

** R34 million was credited to the statement of comprehensive income as part of the standard movement in the onerous provision. An amount of R53 million was debited to the statement of comprehensive income being the termination costs of the Bryanston leases. The net after-tax result of this initiative is an R8,5 million benefit to the Group. This arose mainly due to maintenance cost savings on buildings. The after-tax saving for the 2013 financial year is significant and will result in reduced lease costs on buildings.*

24. Provisions

Continued

COMPANY	Audit fees R'000	Loss on guarantees R'000	Total R'000
Balance as at 1 July 2010	-	-	-
Charged/(credited) to the statement of comprehensive income:			
- additional provisions	-	-	-
- reversal of provisions	-	-	-
- prior period under provision	-	-	-
- utilised during the year	-	-	-
Balance as at 30 June 2011	-	-	-
Charged/(credited) to the statement of comprehensive income:			
- additional provisions	500	5 000	5 500
- reversal of provisions	-	-	-
- prior period under provision	-	-	-
- utilised during the year	-	-	-
Balance as at 30 June 2012	**500**	**5 000**	**5 500**

Onerous contracts

The onerous provision relates to rental space leased in Bryanston, 10 Muswell Road, where the unavoidable costs of rental paid exceed the expected benefits of sub-lease income. Details of rentals paid on this property are disclosed in note 30. A substantial portion of the onerous provision was reversed to the statement of comprehensive income in the current period due to the majority of the onerous leases being terminated. The remaining provision is expected to be applied during the 2013 financial year.

Loss on guarantees

The provision for loss on guarantees applies to a deposit put in place by the Company to serve as a guarantee over a facility extended to a strategic target. The strategic target was placed in provisional liquidation during the current year and as such, the Company estimates that the R10 million guarantee will be called upon for payment. Given the security held by the Company, 50% of the exposure is likely to be recovered.

25. 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 2012 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 such members' expected working lifetime.

	June 2012 R'000	June 2011 R'000
Balance at the end of the year	**3 504**	3 821

The amounts recognised in the statement of comprehensive income are as follows:

	June 2012 R'000	June 2011 R'000
Current service cost	**–**	–
Interest cost	**309**	322
Expected benefit payments	**(541)**	(544)
Net actuarial gains recognised in the current year	**(85)**	177
Net movement for the year	**(317)**	(45)

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

	June 2012 R'000	June 2011 R'000
Present value of funded obligations	**3 821**	3 866
Interest cost	**309**	322
Expected employer benefit payments	**(541)**	(544)
Actuarial loss/(gain)	**(85)**	177
Accrued liability in excess of plan assets	**3 504**	3 821

25. Post-Employment Medical Obligations

Continued

The principal actuarial assumptions used were as follows:

	June 2012	June 2011
Discount rate	**8,25% p.a.**	8,75% p.a.
Health care cost inflation	**7,75% p.a.**	7,75% p.a.
Post-retirement mortality	**PA(90) ultimate table***	PA(90) ultimate table*

- Rated down two years with a 1% improvement per annum from 2006.

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

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

DISCLOSURE REQUIREMENT PARAGRAPH 120A(O) OF IAS 19	**Health care cost inflation**		
	Central assumption 7,75%	**-1%**	**+1%**
Accrued liability 30 June 2012 (R'million)	3.504	3.486	3.525
% change	-	-0,5%	+0,6%
Current service cost + interest cost (R'million) 2012/2013	0.267	0.266	0.269
% change	-	-0,4%	+0,7%
Sensitivity results from previous valuation	Central assumptions 7,75%	-1%	+1%
Current service cost + interest cost (R'million) 2012/2013	0.309	0.307	0.311
% change	-	-0,6%	+0,6%

	Health Care Cost Inflation		
	Central Assumption 7,75%	**+5% for 5 years**	**+10 % for 5 years**
Accrued Liability 30 June 2012 (R'million)	3.504	3.559	3.624
% change	-	+1,6%	+3,4%

	Discount Rate		
	Central Assumption 8,25%	**-1%**	**+1%**
Accrued Liability 30 June 2012 (R'Million)	3.504	3.709	3.321
% change	-	+5,9%	-5,2%

26. Accrual For Straight-Lining of Leases

	Group R'000
Balance as at 1 July 2010	37 508
Credited to the statement of comprehensive income:	
- movements in provision	(5 984)
Balance as at 30 June 2011	31 524
Credited to the statement of comprehensive income:	
- movements in provision	(13 222)
Balance as at 30 June 2012	18 302

	June 2012 R'000	June 2011 R'000
Non-current portion	**12 519**	21 435
Current portion (note 27)	**5 783**	10 089
	18 302	31 524

27. Trade and Other Payables

	Group June 2012 R'000	Group June 2011 R'000	**Company June 2012 R'000**	Company June 2011 R'000
Trade payables	**12 271**	26 059		-
Accruals	**20 431**	4 200		458
Payroll creditors	**20 059**	15 861		-
Value Added Tax	**10 365**	9 743		-
Shareholders for dividends and share repurchase	**3 340**	6 096	**61**	69
Short-term portion of straight-lining lease accrual	**5 783**	10 089		-
Inseta funding	**142**	2 201		-
Other payables	**4 411**	2 085	**23**	246
	76 802	76 334	**84**	773

All trade and other payables are current and are expected to be settled within the next 12 months.

28. Employment Benefit Liability

GROUP	Bonuses R'000	Leave pay R'000	Total R'000
Balance as at 1 July 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 period	(61 300)	(6 140)	(67 440)
Balance as at 30 June 2011	50 433	28 278	78 711
Charged/(credited) to the statement of comprehensive income:			
- additional provisions	52 289	38 702	90 991
- amounts reversed	(12 973)	-	(12 973)
Used during the year	(42 424)	(34 489)	(76 913)
Balance as at 30 June 2012	**47 325**	**32 491**	**79 816**

The provision for management incentive bonuses is payable at the end of October 2012 whilst the remaining provision is payable at the end of December 2012 to staff as part of a salary restructuring arrangement based on their cost to company. The provisions are primarily in respect of leave which will be settled in the next financial year.

Leave pay

The provision is primarily in respect of leave which will be settled in the next financial year.

Analysis of employee benefit liabilities:

	Group June 2012 R'000	Group June 2011 R'000	**Company June 2012 R'000**	Company June 2011 R'000
Current portion	**79 816**	78 711	**-**	-

29. Revenue

	Group June 2012 R'000	Group June 2011 R'000	**Company June 2012 R'000**	Company June 2011 R'000
Administration fees	**866 410**	787 434	**-**	-
Health risk management fees	**542 249**	518 307	**-**	-
Management fees	**241**	3 300	**-**	-
IT revenue and other	**39 361**	42 213	**-**	-
Revenue from healthcare administration and managed healthcare	**1 448 261**	1 351 254	**-**	-

30. Profit Before Taxation

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

	Group June 2012 R'000	Group June 2011 R'000	Company June 2012 R'000	Company June 2011 R'000
Auditors' remuneration	**5 108**	4 711	**585**	668
Audit fees	**4 388**	3 811	**500**	668
Fees for consulting and other services	**573**	291	**-**	-
Prior period under-provision	**147**	609	**85**	-
Amortisation of intangible assets	**36 356**	35 542	**-**	-
Depreciation of property, plant and equipment	**38 128**	44 170	**-**	-
Motor vehicles	**303**	144	**-**	-
Building Infrastructure	**209**	17	**-**	-
Computer equipment	**27 482**	32 423	**-**	-
Furniture and fittings	**6 735**	8 934	**-**	-
Office equipment	**3 399**	2 652	**-**	-
Bad debt write-off	**416**	5 198	**-**	-
Reversal of IFRS 3 contingency*	**(15 781)**	(15 780)	**-**	-
Operating lease rentals	**107 638**	137 287	**-**	-
Buildings	**104 453**	134 524	**-**	-
Computer equipment	**217**	-	**-**	-
Motor vehicles	**437**	638	**-**	-
Office equipment and furniture	**2 531**	2 125	**-**	-
Repairs and maintenance	**4 528**	4 784	**-**	-
Impairment of intangible assets	**-**	4 958	**-**	-
Impairment of tangible assets	**-**	146	**-**	-
Computer equipment	**-**	80	**-**	-
Office equipment	**-**	66	**-**	-

** Reversal of IFRS 3 contingent liability related to an asset finance transaction raised on acquisition of Medscheme Limited in 2006. The contingent liability has been reversed in accordance with the wind down profile of the transaction. (Note 4)*

30. Profit Before Taxation

Continued

	Group June 2012 R'000	Group June 2011 R'000	Company June 2012 R'000	Company June 2011 R'000
Directors' emoluments				
Executive				
W Holmes	**3 351**	3 892	**357**	464
-Basic salary	**1 892**	1 845	**-**	-
-Bonus	**712**	939	**-**	-
-Company contributions	**217**	192	**-**	-
-Share-based payment	**521**	673	**357**	464
-Other allowances	**9**	243	**-**	-
Non-executive				
For services as directors (Basic salary)	**2 204**	967	**-**	-
ATM Mokgokong	**757**	427	**-**	-
MJ Madungandaba	**623**	240	**-**	-
SM Rothbart	**464**	240	**-**	-
B Bam	**120**	60	**-**	-
G Napier	**120**	-	**-**	-
Y Masithela	**120**	-	**-**	-
Employee benefit costs	**784 660**	701 774	**3 816**	-
Salaries and wages	**691 510**	596 362	**1 666**	-
Termination benefits	**4 389**	6 273	**-**	-
Incentive bonus	**43 467**	54 785	**2 150**	-
Staff welfare	**14 891**	14 327	**-**	-
Movement in post employment medical obligation	**(317)**	177	**-**	-
Pension costs – defined contribution plans	**30 720**	29 850	**-**	-
Average number of persons employed by the Group during the period:				
South Africa	**2 426**	2 311	**-**	-
Full time	**2 366**	2 249	**1**	1
Part time	**60**	62	**-**	-
Outside of South Africa	**186**	241	**-**	-
Full time	**182**	181	**-**	-
Part time	**4**	60	**-**	-
Profit on disposal of tangible assets	**566**	117	**-**	-
Reversal of impairment provisions against loans and investments	**(1 175)**	(5 835)	**-**	-

31. Net Finance Costs

	Group June 2012 R'000	Group June 2011 R'000	Company June 2012 R'000	Company June 2011 R'000
Finance costs	**(17 508)**	(15 660)	**(3 502)**	(1 804)
Cash and cash equivalents	**(446)**	(711)	**(446)**	(711)
Intercompany loans	**-**	-	**(3 025)**	(1 093)
Preference dividend paid	**(16 184)**	(14 477)	**-**	-
Other	**(878)**	(472)	**(31)**	-
Finance income	**20 879**	17 138	**7 758**	8 049
Cash and cash equivalents	**10 927**	6 052	**558**	617
Preference dividend received	**7 200**	7 432	**7 200**	7 432
Other	**2 752**	3 654	**-**	-
	3 371	1 478	**4 256**	6 245

32. Income Tax Expense

	Group June 2012 R'000	Group June 2011 R'000	Company June 2012 R'000	Company June 2011 R'000
Current taxation				
Current year charge	**49 794**	38 727	**-**	-
Prior year adjustment	**(721)**	(205)	**(2 413)**	(325)
Deferred taxation				
Current year charge/(credit)	**(6 963)**	6 214	**(5 320)**	(2 481)
Prior year adjustment	**(700)**	(176)	**-**	-
Secondary tax on companies	**1 113**	1 422	**-**	-
	42 523	45 982	**(7 733)**	(2 806)

Reconciliation of the tax rate

	Group June 2012 %	Group June 2011 %	Company June 2012 %	Company June 2011 %
South African normal tax rate	**28,0**	28,0	**28,0**	28,0
Adjust for:				
Exempt expenses	**6,71**	5,2	**3,64**	(14,7)
Exempt income	**(12,63)**	(26,25)	**(40,21)**	(24)
Prior year adjustment:				
- current tax	**(0,81)**	-	**(7,14)**	-
- deferred tax	**(0,30)**	-	**-**	-
Secondary Tax on Companies	**0,48**	1,7	**(2,91)**	-
Capital Gains Tax	**0,46**	-	**-**	-
Utilisation of assessed losses	**(2,83)**	-	**(4,50)**	-
Unutilised assessed losses	**-**	18	**-**	-
Effective rate of tax (%)	**19,08**	26,65	**(23,12)**	(10,7)

33. Earnings Per Share

The calculation of basic earnings per share for the Group is based on a net profit for the year of R164 506 000 (June 2011: net profit of R117 248 000), and a weighted average number of shares of 267.3 million (June 2011: 264.6 million) shares in issue.

The calculation of headline earnings per share for the Group is calculated on adjusted headline earnings of R148 793 000 (June 2011: R126 926 000), and a weighted average number of shares of 267.3 million (June 2011: 264.6 million) shares in issue.

The 2012 diluted earnings comprise the basic earnings of R164.5 million, adjusted by the IFRS 2 charge of R9.3 million which results in a diluted earnings of R173.9 million (2011: R117.2 million).

Reconciliation of headline earnings	Group June 2012 R'000	Group June 2011 R'000
Profit attributable to equity holders of the Company	**164 506**	117 248
Basic earnings	**164 506**	117 248
Adjusted for:		
Shareholders for dividends written off		-
Fair value gains	**(13 972)**	(4 466)
Impairment of property, plant and equipment	**-**	146
Impairment of intangible assets	**-**	4 958
Impairment of investment in associate	**-**	10 266
Profit on disposal of assets	**(566)**	(1 226)
Reversal of impairment in investments	**(1 175)**	-
Headline earnings	**148 793**	126 926
Earnings per share (cents)		
Basic	**61,55**	44,32
Headline	**55,67**	47,98
Diluted earnings per share (cents)		
Basic	**52,31**	37,64
Headline	**47,58**	40,75
Cash earnings per share (cents)		
Basic	**95,48**	61,63
Diluted	**76,77**	52,34
Weighted average number of shares	**267 276 657**	264 561 839
Adjusted for:		
- dilutionary impact of preference shares	**47 335 473**	46 931 942
- dilutionary impact of management share options	**17 772 172**	-
Weighted average number of shares for diluted earnings per share	**332 384 302**	311 493 781

Effect on earnings per share resulting from contingent share issue

The fulfilment of the AfroCentric Health Limited profit warranty referred to in note 19 will be measured on the completion of the audited financial results of AfroCentric Health Limited 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.

34. Cash Generated from Operations

	Group June 2012 R'000	Group June 2011 R'000	Company June 2012 R'000	Company June 2011 R'000
Profit before tax	**222 904**	172 521	**33 445**	16 720
Adjustments for:				
Dividends received	**(6)**	23 635	**-**	-
Dividends received from associates	**-**	-	**(1 440)**	-
Dividends paid	**-**	(23 376)	**-**	-
Finance income	**(20 879)**	(17 138)	**(7 758)**	(8 049)
Finance cost	**17 508**	15 661	**3 502**	1 804
Bad debts written off	**416**	5 198	**-**	-
Foreign exchange loss/(gain)	**-**	1 087	**-**	-
Net capital loss on recoupment	**-**	(394)	**-**	-
Decrease in provision for bad debts	**(2 908)**	(2 791)	**-**	-
Net actuarial (gains)/losses	**(317)**	177	**-**	-
Depreciation	**38 128**	44 170	**-**	-
Reversal of IFRS 3 contingency	**(15 781)**	(15 780)	**-**	-
Amortisation of intangible assets	**36 356**	35 542	**-**	-
Impairment of intangible assets	**-**	4 958	**-**	-
Impairment of tangible assets	**-**	146	**-**	-
Reversal of impairment/impairment provision on investments	**(1 175)**	4 431	**-**	10 266
Straight-lining of leases	**(13 222)**	(5 985)	**-**	-
Profit on disposal of assets	**(566)**	(1 226)	**-**	-
Provision for loss on guarantee	**5 000**	-	**5 000**	-
IFRS 2 compliance adjustment	**9 357**	-	**357**	-
Onerous lease provisions	**18 950**	(3 642)	**-**	-
Fair value gains	**(13 972)**	(5 018)	**-**	-
Share of profit of associates	**(14 842)**	(10 888)	**-**	-
Cash flow before working capital changes	**264 951**	221 288	**33 106**	20 741
Working capital changes	**(9 799)**	(58 239)	**(687)**	(129)
Trade and other receivables	**(17 674)**	(12 888)	**(498)**	(773)
Provisions	**1 555**	(13 141)	**500**	-
Trade and other payables	**6 320**	(32 210)	**(689)**	644
Cash generated from operations	**255 152**	163 049	**32 419**	20 612

35. Taxation Paid

	Group June 2012 R'000	Group June 2011 R'000	Company June 2012 R'000	Company June 2011 R'000
Balance at the beginning of the year	**(8 495)**	(3 224)	**-**	(325)
Charged to the statement of comprehensive income	**(42 523)**	(45 982)	**2 413**	2 807
Deferred tax charge	**(7 663)**	6 038		
Interest charged	**(114)**	(60)	**-**	-
Balance at the end of the year	**(2 255)**	8 495	**(1 658)**	(2 482)
	(61 050)	(34 733)	**755**	-

36. Dividends

AfroCentric Investment Corporation limited passed a resolution whereby a capital reduction out of share premium, was declared on 25 November 2011 of 9 cents per ordinary share and 25.48 cents per preference share. The Rand value of R28,2 million was paid during November 2011. This dividend was debited to share premium as a capital distribution.

	June 2012 R'000 Group	June 2011 R'000 Group	June 2012 R'000 Company	June 2011 R'000 Company
Dividend declared by AfroCentric Investment Corporation Limited on 25 November 2011 and paid during November 2011	**28 274**	23 376	**28 274**	23 376
Other dividends in the Group:				
Dividend declared by Lethimvula Investments Limited on 25 November 2011 and paid to minority shareholders during November 2011	**3 289**	2 401	**-**	-
Dividend declared and paid by Medscheme (Namibia) (Proprietary) Limited to minority shareholders	**2 321**	874	**-**	-

37. Share-Based Payments

In terms of the undertaking provided for in the 2009 sale agreement entered into between the vendors of 63,2% of the shares in Lethimvula Investments Limited (now AfroCentric Health Limited) and the Company, the Company continues to reserve 20 million shares for allotment to fulfil that commitment. These shares are continually reserved on behalf of the vendors as an incentive to the selected executives responsible for the management of AfroCentric Health Limited to achieve the profit warranty, the details of which are more fully set out in the circular dated 18 December 2008. The subject shares form part of those allocated to executives and valued in terms of IFRS 2 in the manner set out below.

37. Share-Based Payments

Continued

The shares to which management may have a right to receive, will only be delivered once the extent of the profit warranty is attained. This measurement of fulfilment will be determined after 30 June 2013 in terms of the original sale agreement.

Effects on profit and financial position

	Group June 2012 '000	Group June 2011 '000	**Company June 2012 '000**	Company June 2011 '000
Share based payment expense (R million)	**9,3**	-		
Share based payment reserve (R million)	**9,3**	-		
Executive scheme	**15 250**	13 750	**-**	-
Movements in number of instruments:				
Outstanding at the beginning of the year	**13 750**	17 750	**-**	-
Exercised	**-**	-	**-**	-
Granted	**1 750**	-	**-**	-
Forfeited	**(250)**	(4 000)	**-**	-
Outstanding at the end of the year	**15 250**	13 750	**-**	-
Exercisable at the end of the year	**-**	-	**-**	-

The weighted average fair value of these instruments has been calculated using the Binomial Lattice Valuation Model, using the following inputs and assumptions:

Regarding decrements

Mortality	None
Retrenchments	None
Retirement age	65
Early retirement	None
Resignations	None

Economic assumptions

	Group June 2012	Group June 2011	**Company June 2012**	Company June 2011
Number of instruments granted ('000)	**15 250**	13 750	**-**	-
Weighted average fair value per instrument	**0.6135**	0.336	**-**	-
Weighted average share price (R)	**3.05**	2.00	**-**	-
Weighted average expected volatility (%)	**43,2**	36,0	**-**	-
Weighted average life (years)	**1**	2	**-**	-
Weighted average risk free interest rate (%)	**5,35**	6,48	**-**	-
Number of participants	**7**	9	**-**	-
Weighted average vesting period (years)	**1**	2	**-**	-
Expectation of meeting performance criteria (%)	**43,2**	36,0	**-**	-

An independent actuarial valuation was conducted by Independent Actuarial Consultants ("IAC"), to determine the value of the potential effect for the correct treatment per IFRS 2 as at 30 June 2010, 30 June 2011 and 30 June 2012.

The valuation for 2011 (2010: nil) indicated a cumulative proposed share-based payment charge of R4.6 million to the statement of comprehensive income. This was deemed to be immaterial and thus no restatement was required for the 2011 financial year.

The R9,3 million charge reflected on the statement of comprehensive income is, however, a cumulative amount as at 30 June 2012, and includes all IFRS 2 charges since inception of the share scheme.

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 all within the insured values.

Neil Harvey & Associates

Neil Harvey & Associates has instituted action against Medscheme Holdings (Proprietary) Limited and three of its employees. The allegations concern copyright infringement and a breach of the Medware licence agreement. The maximum capital amount of the claim is R390,4 million (June 2011: R83,5 million). The parties have agreed to private arbitration; however, it is unlikely that the matter will be finalised during the current financial year. Neil Harvey & Associates amended the particulars of their claim during the current year which has increased the maximum capital amount of the claim to R390,4 million. Medscheme Holdings (Proprietary) Limited will continue to vigorously defend the action and is confident that there will still be no liability in this matter.

Bonitas Medical Fund / Louis Pasteur Hospital

Louis Pasteur Hospital has instituted action against the Bonitas Medical Fund for alleged damages suffered as a result of the cession of two Sanlam policies to the hospital. Bonitas in turn has instituted action against Medscheme Holdings (Proprietary) Limited being the administrator. The maximum capital amount of the claim is R44 million. Bonitas have been successful against the claim by Louis Pasteur Hospital, however, the hospital has filed a notice of appeal. Bonitas will withdraw the action against Medscheme if the hospital is unsuccessful with its appeal. Medscheme has been advised that the merits to the claim of Louis Pasteur Hospital are not legally sound and that the likelihood of liability on the part of Medscheme Holdings (Proprietary) Limited is far removed under the circumstances.

38.2 COMMITMENTS

	June 2012 R'000	June 2011 R'000
Building rentals		
Rental obligations with respect to land and buildings		
Not later than 1 year	**43 556**	96 542
Later than 1 year but not later than 5 years	**58 446**	134 251
Later than 5 years	**-**	-
	102 002	230 793

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 2012					
Bryanston phase 3 – 10 Muswell Road	Habitaz	**1 613**	**-**	**-**	**1 613**
		1 613	**-**	**-**	**1 613**

The operating leases for Bryanston phases 1, 2 and 4 were terminated during the current year. The remaining operating lease for Bryanston phase 3 will come to an end in May 2013.

38. Contingencies, Commitments and Guarantees

Continued

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	19740	-	**37 483**

38.3 GUARANTEES

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

	Group June 2012 R'000	Group June 2011 R'000	**Company June 2012 R'000**	Company June 2011 R'000
Guarantees issued in respect of office rental for premises occupied by the Group	**7 527**	7 931	**-**	-
Medical aid schemes	**3 282**	2 500	**-**	-
South African Post Office	**3 803**	3 803	**-**	-
Kenmore Properties	**-**	23	**-**	-
Paramount Property Funds	**-**	25	**-**	-
	14 612	14 282	**-**	-

39. Related Party Transactions

39.1 DIRECTORS

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

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

39. Related Party Transactions

Continued

39.2 TRANSACTIONS WITH ENTITIES IN THE GROUP

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

	Group June 2012 R'000	Group June 2011 R'000
Directors		
Medical aid contributions paid by directors – to schemes administered by Medscheme Holdings (Pty) Limited	**321**	377
Mr MJ Madungdaba has a controlling interest in Namane Financial Services – Consulting and marketing fees paid to Namane Financial Services	**1 596**	1 368
Mr S.Rothbart has a controlling interest in Rothbart Inc. – Consulting fees paid by Medscheme Holdings (Pty) Limited	**1 069**	907
Associates		
Sigma Health Fund Managers (Proprietary) Limited – consulting fees paid to Medscheme Holdings (Proprietary) Limited	**283**	121
Medscheme Holdings (Proprietary) Limited – switching fees paid to TradeBridge (Proprietary) Limited	**9 840**	9 434
Subsidiaries		
IE Business Insight Strategic Consulting (Proprietary) Limited - management fees paid to Medscheme Holdings (Proprietary) Limited	**360**	360
IE Business Insight Strategic Consulting (Proprietary) Limited - management fees paid to Marabou Travel Management (Proprietary) Limited	**1 186**	1 186
Helios IT Solutions (Proprietary) Limited - management fees paid to Medscheme Holdings (Proprietary) Limited	**6 000**	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
Helios IT Solutions (Proprietary) Limited – switching fees paid to Allegra (Proprietary) Limited	**14 218**	-
AfroCentric Health Limited – management fee paid to Medscheme Holdings (Proprietary) Limited	**914**	914
Marabou Travel (Proprietary) Limited - management fees paid to Marabou Travel Management (Proprietary) Limited	**1 140**	1 140
Marabou Travel Management (Proprietary) Limited - management fees paid to Marabou Travel (Proprietary) Limited	**2 326**	2 326
Medscheme Administrators Swaziland (Proprietary) Limited - management fees paid to Medscheme Holdings (Proprietary) Limited	**1 320**	1 272
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 – license and support fees paid to Helios IT Solutions (Proprietary) Limited	**1 858**	1 859
Medscheme Asset Management (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	**-**	506
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	**80 309**	81 463
Medscheme Holdings (Proprietary) Limited – management fees paid to AfroCentric Management Services (Proprietary) Limited	**25 020**	32 669
Medscheme Holdings (Proprietary) Limited – management fees paid to AfroCentric Health Limited	**2 089**	2 089
Medscheme Holdings (Proprietary) Limited – subscription fees paid to Marabou Travel Management (Proprietary) Limited	**147**	126
Medscheme Holdings (Proprietary) Limited – switching fees paid to Helios IT Solutions (Proprietary) Limited	**10 699**	11 424
Medscheme Namibia (Proprietary) Limited – license and support fees paid to Helios IT Solutions (Proprietary Limited)	**3 094**	3 379
Medscheme Namibia (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	**324**	277
Medscheme Namibia (Proprietary) Limited – processing fees paid to Medscheme Holdings (Proprietary) Limited	**64**	48
Medscheme Namibia (Proprietary) Limited – processing fees paid to Helios IT Solutions (Proprietary) Limited	**-**	123

39. Related Party Transactions

Continued

HOLDING COMPANY	**Group June 2012 R'000**	Group June 2011 R'000
AfroCentric Investment Corporation Limited – loan advanced by AfroCentric health limited ** Balance at year-end*	**45 918**	34 863
AfroCentric Investment Corporation Limited – loan advanced to ACT Healthcare Assets (Proprietary) Limited ** Balance at year-end*	**462 797**	452 777
AfroCentric Investment Corporation Limited – interest charged on loan from AfroCentric health limited	**2 995**	1 077
AfroCentric Investment Corporation Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	**600**	600
AfroCentric Investment Corporation Limited – interest charged on loan from Medscheme Holdings (Proprietary) Limited	**30**	17

39.3 KEY MANAGEMENT PERSONNEL COMPENSATION

	Group June 2012 R'000	Group June 2011 R'000	**Company June 2012 R'000**	Company June 2011 R'000
Short-term employee benefits	**8 844**	8 742	**-**	-
Share-based payments (note 37)	**1 171**	1 515	**-**	-

Key management personnel comprise executive directors within the Afrocentric Health Limited Group.

39.4 INTER-COMPANY GUARANTEES

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

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

40. Pension and Other Retirement Obligations

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

41. Medscheme Provident Fund and Medscheme Employees Provident Fund

These funds are defined contribution plans. Contributions are fully expensed during the year in which they are funded. Contributions of 7,6% of retirement funding remuneration are paid by the employer and contributions paid by the employee range between 0% and 12% of retirement funding remuneration. In the interest of the employee members of these funds, the trustees are encouraged to obtain an independent actuarial assessment of the performance of the funds.

42. Subsequent Events

Transfer of Medscheme IT assets and staff to Helios IT Solutions on 1 July 2012

Helios IT Solutions (Proprietary) Limited ("Helios") commenced operations in 2009 when the main administration system of Medscheme, Nexus, was transferred to Helios. The rationale for this was a long-term strategy in which the Nexus system could be sold/outsourced to external administration clients from the Medscheme Holdings (Proprietary) Limited Group ("Medscheme"). Helios have been successful in obtaining approximately five external client contracts which use the Nexus system and therefore generating income for the AfroCentric Health Limited Group (previously Lethimvula Investments Limited Group). Although all development was housed in the Helios company on behalf of Medscheme clients and external clients, the physical IT assets and support staff were still held and employed by Medscheme. In order to progress towards the long term strategy of a standalone IT company supporting the AfroCentric Health Limited Group, the staff and IT assets were transferred out of Medscheme to Helios effective 1 July 2012.

Helios will, in the 2013 financial year, be charging the Medscheme Group market related fees for usage of the administration system and desktop support. The 2013 budget for Helios and Medscheme indicates an approximate expense of R180 million for IT services which will flow from Medscheme to Helios. The approximate 90 staff members previously employed in Medscheme have also been transferred to Helios on exactly the same terms and conditions. All Medscheme client business units are in the process of finalising service level agreements with Helios to ensure IT services are maintained at the levels required by the Medscheme clients.

Helios will remain a 100% owned subsidiary of the Afrocentric Health Limited Group. This is a non-adjusting subsequent event.

Transfer of the Aid for Aids business unit to Aid for Aids Management (Proprietary) Limited effective 1 September 2012

The Aid for Aids business ("AfA"), specializing in aids related treatments has established itself as a world leader over the past eight years and by doing so have won many external clients outside of the Medscheme medical aids. AfA receive approximately 30% of their income from non-medical aid related entities and 50%

42. Subsequent Events

Continued

of their income from the Government Employees Medical Aid ("GEMS"). GEMS do, however, have a separate AfA contract which does not form part of the normal managed care agreement. In order to further grow the external brand and business of AfA, the business is going to obtain its own identity via a separate company and board. Once this is done, the focus will be to grow AfA's client base of more corporate clients in the mining and industrial sectors whose employees have a high incidence of Aids related conditions.

Before the AfA business could be transferred from Medscheme to Aid for Aids Management (Proprietary) Limited, the company first had to apply for accreditation from the Council for Medical Schemes, which it obtained in May 2012. Aid for Aids Management (Proprietary) Limited is a 100% owned subsidiary of AfroCentric Health Limited and will take over the 130 staff members and related contracts from both medical scheme and corporate clients. The 2013 revenue budget for Aid for Aids Management (Proprietary) Limited is approximately R80 million. This is a non-adjusting subsequent event.

No other subsequent events occurred prior to the approval of the annual financial statements.

AFROCENTRIC

37 Conrad Road, Florida North
P O Box 71910, Bryanston, 2021
Tel: +27 (11) 671 2000
E-mail: info@afrocentric.za.com
Website: www.afrocentric.za.com

013. NOTICE ANNUAL GENERAL MEETING OF SHAREHOLDERS: 13 FEBRUARY 2013

IMPORTANT NOTICE TO SHAREHOLDERS

1. **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to any action you should take, please consult your Banker, Stock Broker, Legal Advisor, Accountant or other professional Advisor immediately.
2. If you have disposed of all your shares in Afrocentric Investment Corporation Limited, this document should be handed to the purchaser of such shares or to the stock broker, banker or other agent through whom such disposal was effected.
3. Members attending the Annual General Meeting of the Company on 13 February 2013 are requested to ensure timeous registration of attendance upon arrival.
4. The record date of the Annual General Meeting for shareholders to participate in and vote at the Annual General Meeting is Thursday 7 February 2013. Persons intending to attend or participate in the Annual General Meeting will be required to present satisfactory identification.
5. **SHAREHOLDERS SHOULD TAKE NOTE OF THE FOLLOWING IMPORTANT DATES:**

Record date for the purpose of determining which shareholders of the company are entitled to receive notice of the AGM	Friday 14 December 2012
Last date to trade in order to be registered in the register of members of the company and therefore be eligible to participate in and vote at the AGM	Friday 1 February 2013
Record date for purposes of determining which shareholders of the company are entitled to participate in and vote at the AGM	Friday 8 February 2013
Last day for lodging forms of proxy at 10:00am	Tuesday 12 February 2013
Date of the Annual General Meeting Wednesday	Wednesday 13 February 2013

6. **VOTING AND PROXIES:**
   A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a Proxy or Proxies to attend, speak and vote in his / her stead. A Proxy need not be a member of the Company. A form of Proxy is distributed with this notice for the sake of convenience.

Proxy forms must be delivered to the:
Company Transfer Secretaries
Computershare Investor Services (Proprietary) Limited,
70 Marshall Street,
Johannesburg, 2001
P O Box 61051,
Marshalltown, 2107

Fax No: +27 (11) 688 5238
BY NO LATER THAN 10:00am ON Tuesday, 12 February 2013.

The purpose of this notice to AfroCentric Investment Corporation Limited shareholders is to give notice of the convening of the forthcoming Annual general meeting for the purposes of considering and/or approving the:

1. Grant to the Company of a general approval to acquire its shares from time to time;

2. Advancing of Inter-Company Loans and other financial assistance;

3. Fees payable to non-executive directors;

4. Approval of Memorandum of Incorporation for AfroCentric Investment Corporation Limited.

5. Approval of the Financial Statements of the Company for the Financial Year ending 30 June 2012 including the directors' report, auditor's report and report of the Audit Committee of the Company ;

6. The appointment of Auditors and the determination of Auditors fees;

7. Election/re-election of Directors;

8. Placing the control of the authorised but unissued shares in the capital of the Company under the control and authority of the Directors;

9. Appointment of members to the audit committee;

10. The grant of authority to the Directors to sign all such documents as may be necessary to implement the resolutions passed at the Annual General Meeting to be held on 13 February 2013;

11. Ratification of appointment of Dewald Dempers as a Director and Chief Executive Officer of AfroCentric Investment Corporation Limited;

NOTICE IS HEREBY GIVEN of the ANNUAL GENERAL MEETING of Shareholders of AFROCENTRIC INVESTMENT CORPORATION LIMITED ("the Company"), to be held on WEDNESDAY 13 FEBRUARY 2012, at 10h00am at, 37 CONRAD DRIVE, FLORIDA NORTH, ROODEPOORT, for the following purposes:

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 each 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 of 2008 (Act 71 of 2008), as amended, ("the Act"), to acquire from time to time issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the Directors of the Company may from time to time determine, but subject to the Memorandum of Incorporation of the Company and the provisions of the Act 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 authorisation is provided for by the Company's Memorandum of Incorporation;

(c) 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;

(d) that no repurchase will be effected during a prohibited period 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 prior to the commencement of the prohibited period;

(e) that at any one point in time, the Company may only appoint one agent to effect repurchases on the Company's behalf;

(f) 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

(g) that 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.

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. The Directors have no immediate or specific intention to effect the provisions of Special

Resolution 1, but will continue to review the Company's position in considering whether to effect the provisions of Special Resolution 1.

Directors' responsibility statement.
The Directors, whose names are given in this Notice, collectively and individually accept full responsibility for the accuracy of the information pertaining to this resolution, and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by law.

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

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 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 entities:

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 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.

NOTE: Special Resolution Number 2 requires the approval of a 75% majority of the votes cast by members present or represented by proxy at the annual general meeting.

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 payable to non-executive directors for the next 12 months, payable quarterly in arrears , with effect from 01 July 2012, be:

Position	Present rate	Proposed Rate
Chairman	R120 000	R150 000
Non-Executive director	R120 000	R150 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 effective July of each year.

NOTE: Special Resolution Number 3 requires the approval of a 75% majority of the votes cast by members present or represented by proxy at the annual general meeting.

4. SPECIAL RESOLUTION NUMBER 4: APPROVAL OF MEMORANDUM OF INCORPORATION FOR AFROCENTRIC INVESTMENT CORPORATION LIMITED

RESOLVED THAT the Company adopt the Memorandum of Incorporation of the Company ("New MOI"), which Memorandum of Incorporation replaces the current Memorandum of Association and Articles of Association in its entirety by the new memorandum of incorporation (a draft will, in addition to its availability to the Company's website http://www.afrocentric.za.com/, be tabled at the AGM and initialled by the chairman of the AGM for identification purposes) ("New MOI")

Reason for and effect of special resolution number 4:

The Companies Act, No 71 of 2008, as amended ('the Act') came into force on 1 May 2011. The Act requires that a company's founding documents namely its memorandum of association and articles of association be combined into one document which is now referred to as the memorandum of incorporation ('MOI'). In essence, the content of the new MOI is based broadly on the current memorandum and articles of association however, the Companies Act of 2008 (71 of 2008) compared to the Companies Act of 1973, has a number of significant differences, particularly with managing the rules of a company, such as the repurchase of shares, notices of meetings, ability to hold shareholder meetings via electronic means, distributions and so forth. The Company needs to align itself with the Companies Act and therefore it is necessary to adopt the new MOI.

In order to assist the shareholders to fully consider the New MOI the salient features of the New MOI are set out in Annexure "A" to this notice. A complete version of the proposed New MOI may be found on the Company's website http://www.afrocentric.za.com/ or alternatively, shareholders may request a copy of the MOI via email to yolandiv@medscheme.co.za

The effect of special resolution 4 is that the Company adopts a new MOI

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

1. ORDINARY RESOLUTION NUMBER 1 : FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

RESOLVED THAT the audited annual financial statements, including the directors' report, auditor's report and report of the audit committee of the Company for the year ended June 30 2012 as distributed with the Notice of the Annual General Meeting of the Company are approved and confirmed.

2. ORDINARY RESOLUTION NUMBER 2: AUDIT COMMITTEE REPORT FOR THE 2012

RESOLVED THAT the Audit Committee Report of the Company for the 2012, together with the report of the Directors and Auditors contained therein, as distributed together with the Notice of the 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 Report be and are approved and confirmed.

3. ORDINARY RESOLUTION NUMBER 3: APPOINTMENT OF AUDITORS and determination of Auditors fees:

3.1 RESOLVED THAT SizweNtsaluba be appointed as Auditors and Aaron Mthimunye as the designated Auditor of the Company for the ensuing year, and

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

4. ORDINARY RESOLUTION NUMBER 4: ELECTION / RE-ELECTION OF DIRECTORS:

To re-elect by separate resolutions, directors of the company in accordance with the Companies Act 71 of 2008 (as amended) ("the Companies Act") and the company's Memorandum of Incorporation which provide that at least one-third of the directors, being those longest in office at the date of the annual general meeting, should retire, but that such directors may offer themselves for re-election:

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

4.1 Mr. MI SACKS (Non-Executive Director) (election)

Business address: 37 Conrad Road, Florida North, Roodepoort, 1709

Qualifications: Chartered Accounted of (South Africa) (1968) (University of Witwatersrand).

Occupation: Mr Sacks is currently a retired businessman.

Mr Sacks was the co-founder of Netcare Limited ("Netcare") and acted as Executive Chairman of the Group until his retirement. He continued to serve as a non-executive director thereafter until February 2012.

Mr. Sacks has served as non-executive director of several South African listed institutions. Michael further served as a non-executive chairman of ADvTECH Limited, South Africa's largest private education institution.

Mr Sacks has for many years been involved in black economic empowerment initiatives and serves on numerous committees and trusts dedicated to supporting these objectives. He was the co-founder of Afrocentric Investment Corporation Limited.

4.2 Dr N B Bam (Non-Executive Director) (election)

Business address: 37 Conrad Road, Florida North, Roodepoort, 1709

Qualifications: Tertiary Diploma in Social Work (Jan H. Hofmeyr School of Social Work), Diploma in Management (College of Webster), Diploma in Teaching (Lovedale Teachers College), Diploma in Communications
Social Science Division (University of Chicago, United States of America)

Occupation: Chairperson of Southern African Development Coordination Conference Electoral Commission Forum

Brigalia is a former Chairperson of the Independent Electoral Commission. She retired in November 2011. Bam is the Secretary-General of the South African Council of Churches. She is also the Secretary and coordinator of the Women Workers Programme (Africa region) for the International Food and Allied Workers Association and Director of the Programmes of the World Council of Churches.

4.3 Mr JM Kahn (Independent Non-Executive Director) (election)

Business address: 37 Conrad Road, Florida North, Roodepoort, 1709

Qualifications: National Diploma: Bachelor of Arts (University of Pretoria), Masters in Business Administration (University of Pretoria).

Occupation: Mr Kahn is currently an Independent non-executive Director on the Comair Limited Board.

In 1981 Mr Kahn was appointed a director of SA Breweries Group, Group Managing Director in 1983 and Executive Chairman in 1990. Meyer served on the boards of 16 listed companies and as a trustee of numerous organisations and is also a past-president of The South Africa Foundation. Mr Kahn recently retired as non-executive Chairman of SAB Miller PLC.
Mr Kahn received a number of notable awards, among others: one of the country's five Top Businessmen in 1983;

Marketing Man of the Year in 1987; and Business Manager of the Year in 1990. During 1991 he received the Award for Business Excellence from the University of the Witwatersrand. He was also honoured by the University of Pretoria as Professor Extraordinaire (1989) and by way of an honorary doctorate in Commerce (1990).

5. ORDINARY RESOLUTION NUMBER 5: CONTROL OF AUTHORISED, BUT UNISSUED SHARES:

RESOLVED THAT the authorised but unissued shares in the capital of the Company be and are hereby placed under the control and authority of the Directors of the Company, subject to the provisions of the Act and the Memorandum of Incorporation of the Company.

6. ORDINARY RESOLUTION NUMBER 6: 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:

6.1 Mr. MI SACKS (Non-Executive Director) (election)

Business address: 37 Conrad Road, Florida North, Roodepoort, 1709

Qualifications: Chartered Accounted of (South Africa) (1968) (University of Witwatersrand).

Occupation: Mr Sacks is currently a retired businessman.

Mr Sacks was the co-founder of Netcare Limited ("Netcare") and acted as Executive Chairman of the Group until his retirement. He continued to serve as a non-executive director thereafter until February 2012.

Mr. Sacks has served as non-executive director of several South African listed institutions. Michael further served as a non-executive chairman of ADvTECH Limited, South Africa's largest private education institution.

Mr Sacks has for many years been involved in black economic empowerment initiatives and serves on numerous committees and trusts dedicated to supporting these objectives. He was the co-founder of AfroCentric Investment Corporation Limited.

6.2 Ms Y Masithela (Independent Non-Executive Director) (election)

Business address: 37 Conrad Road, Florida North, Roodepoort, 1709
Qualifications: National Diploma: Bachelor of Arts - Law (1995) (University of Cape Town), Bachelor of Laws (1997) (University of Cape Town), Higher Diploma in Company Law (2001) (University of Witwatersrand), Masters of Laws in Taxation (2004) (University of Witwatersrand).

Occupation: Ms Masithela is currently General Counsel at ABSA Financial Services.

Ms Masithela was the Head of Project and Export Finance at Siemens Limited from 2001 to 2004, whereafter she left to found a successful law practice, Phukubje Pierce Masithela Attorneys.

Ms Masithela, as founder and owner, practiced as an attorney and managed this practice from 2005 to 2011.

6.3 Mr. G Napier (Independent Non-Executive Director) (election)

Business address: 37 Conrad Road, Florida North, Roodepoort, 1709

Qualifications: National Diploma: Honors in Bachelor of Commerce (2000) (University of Natal), Masters in Business Administration (2005) (Harvard Business School).

Occupation: Mr Napier is currently a Marketing and Business Strategy Executive at Edcon.

Mr Napier was formely employed at McKinsey & Company.

7. ORDINARY RESOLUTION NUMBER 7: RATIFICATION OF THE APPOINTMENT OF DEWALD DEMPERS AS CHIEF EXECUTIVE OFFICER OF AFROCENTRIC INVESTMENTS CORPORATION LIMITED

RESOLVED THAT Dewald Dempers' appointment as a director and CEO of the Company with effect from 05 September 2012 be ratified and he is hereby authorised to sign all documents and procure the doing of all such things as may be necessary for or incidental to the implementation of the resolutions passed at the Annual General Meeting of shareholders of the Company to be held on 13 February 2013

8. ORDINARY RESOLUTION NUMBER 8: AUTHORITY OF DIRECTORS:

RESOLVED THAT any two Directors of the Company be and are hereby authorised to, sign all such documents and procure the doing of all such things as may be necessary for or incidental to the implementation of the resolutions passed at the Annual General Meeting of shareholders of the Company to be held on 13 February 2013.

By order of the Board
Yolandi van Zweel - Company Secretary
5 December 2012- Roodepoort

AFROCENTRIC INVESTMENT CORPORATION LIMITED
(Reg Nr. 2006/005087/06)
("the Company")

FORM OF PROXY RELATING TO THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON WEDNESDAY 13 FEBRUARY 2013 AT 10h00.

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			
4.		Adoption of new Memorandum of Incorporation			
B) ORDINARY RESOLUTIONS					
1.	Financial Statements for the financial year ended 30 June 2012				
2.	Auditors.				
	2.2	Appointment of SizweNtsaluba as Auditors			
	2.3	Authority to determine remuneration			
3.	Election/re-Election of Directors.				
	3.1	MI Sacks			
	3.2	Dr NB Bam			
	3.3	JM Kahn			
4.	Control of authorised, but unissued shares				
5.	Appointment of Members to the Audit Committee				
	5.1	MI Sacks			
	5.2	Y Masithela			
	5.3	G Napier			
6.	Authority of Directors to sign documents				
7.	Confirmation of appointment of Dewald Dempers as Director and Chief Executive Officer				

Signed on this ______________ day of ______________ 2013

Signature ______________________________

Assisted by (if applicable) ______________________________

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 10:00 on Tuesday 12 February 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 that is 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 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

ANNEXURE "A" SALIENT FEATURES OF THE NEW MEMORANDUM OF INCORPORATION

CURRENT CLAUSE	CONTENT OF CLAUSE IN NEW MEMORANDUM OF INCORPORATION
Financial Assistance to related persons Clause 3.4	This Memorandum does not limit, restrict or qualify the authority of the Board to authorise the Company to provide direct or indirect financial assistance to any person contemplated in section 45 of the Act. [Section 45(2) of Act]
Solvency and Liquidity Test Clause 3.5	This Memorandum does not alter the application of the solvency and liquidity test provided in section 4 of the Act. [Section 4(2)(c) of Act]
Directors' power Clause 3.3.1	The Board shall not have the power to make, amend or repeal any necessary or incidental rules relating to the governance of the Company in respect of matters that are not addressed in the Act or this Memorandum, in accordance with the provisions of sections 15(3) to 15(5), both inclusive, of the Act. [Sections 15(3), 15(4), 15(5) and 15(5A) of the Act]
Ratification of Ultra Vires Acts Clause 3.3.1 and 3.7	The proposal of any resolution to shareholders in terms of sections 20(2) and 20(6) of the Act which would lead to the ratification of an act that is contrary to the Listings Requirements, shall be prohibited, unless otherwise agreed with the JSE
Amendment of Memorandum of Incorporation Clause 3.3.3 and 3.3.4	Amendment of the Memorandum must be approved by special resolution of ordinary shareholders, save if such amendment is order by the Court in terms of Section 16(1) of the Act
Authorisation for Shares Clause 4	Any amendment to the Memorandum must be approved by Special Resolution of Ordinary Shareholders. Securities for which listing is sought must be fully paid up and freely transferable
Appointment of Directors Clause 7	The minimum number of directors shall be four. The appointment of alternate directors is permitted
Directors compensation Clause 7.4	The directors may be paid all their travelling and other expenses, properly and necessarily incurred by them in and about the business of the Company, and in attending meetings of the Board or of committees thereof; and, if any director is required to perform extra services, to reside abroad or be specifically occupied about the Company's business, he may be entitled to receive such remuneration as is determined by a disinterested quorum of directors, which may be either in addition to or in substitution for any other remuneration payable
Indemnification of Directors Clause 7.5	The Memorandum does not limit or restrict the authority of the Company to advance expenses to a director to defend litigation as set out in Section 78(4)(a) of the Act; or directly or indirectly indemnify a director for expenses contemplated in Clause 42(1) of the new Memorandum as set out in Section 78(4)(b) of the Act; or purchase insurance to protect a director of the Company as set out in Section 78(7) of the Act
Directors meetings Clause 7.7.3	This Memorandum does not restrict the Board from conducting meetings, or directors from participating in meetings, by electronic communication, as contemplated in section 73(3) of the Act. [Section 73(3)]
Amendment of class, preferences, rights, limitations or other terms Clause 8.1	If any amendments proposed to any preferences, rights, limitations or other terms of any class of shares, such amendment would be subject to the prior sanction of a resolution passed at a separate class meeting of the holders of that class of shares in the same manner, mutatis mutandis, as a special resolution
Rights attaching to securities Clause 8.4	Every holder of an ordinary share has one vote in respect of each share held when voting by poll and one vote if voting proceed by a show of hands
Dividends Clause 8	A record date is required to be set for dividends, participation in general meetings and exercise rights