AfroCentric Investment Corporation Limited

OUR PEOPLE OUR PASSION

Integrated Annual Report 2013

AFROCENTRIC GROUP

OUR PEOPLE OUR PASSION

AFROCENTRIC GROUP

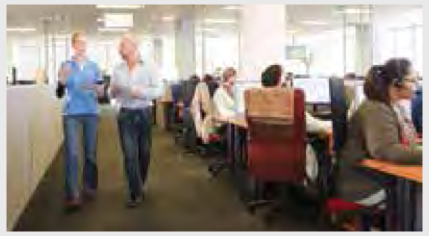
TABLE OF CONTENTS

OUR PEOPLE OUR PASSION

Integrated Annual Report 2013
AfroCentric Investment Corporation Limited

01 OUR BUSINESS

02 OUR PERFORMANCE



03 OUR OPERATIONS

04 OUR COMMITMENT

05 OUR RESULTS

www.afrocentric.za.com

AFROCENTRIC GROUP

ABOUT THIS REPORT

01

The Board of Directors is pleased to present the Integrated Annual Report of AfroCentric Investment Corporation Limited ("AfroCentric") for the 2013 financial year.

This report has been compiled with a view to providing our stakeholders with an integrated approach to the business, performance, governance and sustainability of our Group for the period under review and incorporates economic, social and environmental factors where appropriate. A stakeholder engagement analysis was performed and is provided on page 83 of this report.

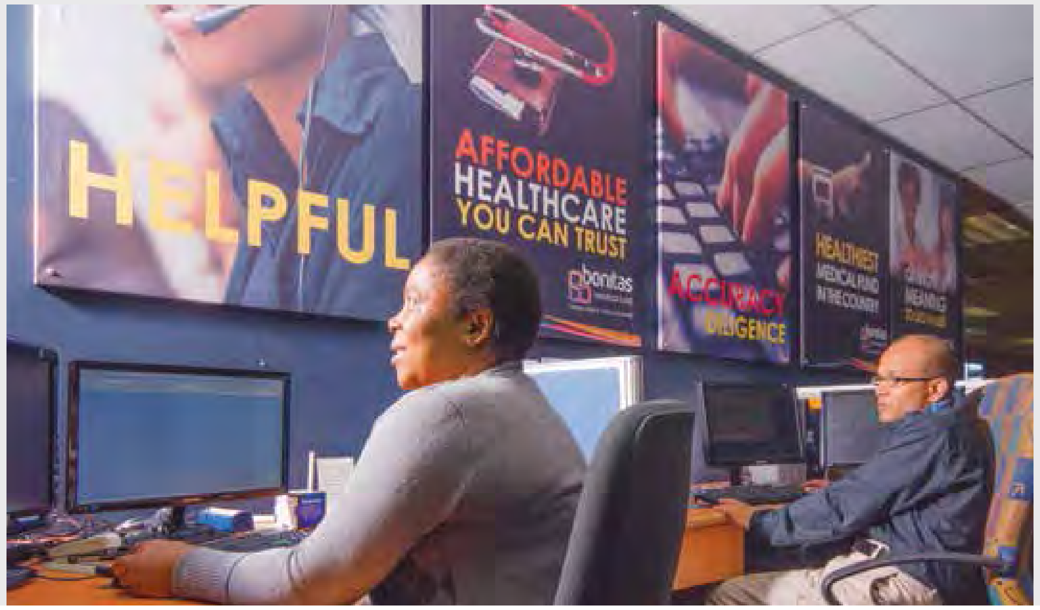
The scope of the report covers the AfroCentric Group of companies and its associates. The information focuses mainly on AfroCentric Health Ltd, being the main operating subsidiary within the Group.

Management's interpretation of materiality determines the disclosure and topics to be covered in the report and their relevance to stakeholders with a view to providing concise, transparent and valuable information. The three key stakeholder groups identified were Shareholders, customers and employees.

There have been no significant changes to the Group's size, structure or ownership during the current reporting period other than through organic growth of operations.

Furthermore, the report is prepared in accordance with International Financial Reporting Standards ("IFRS"), the Listings Requirements of the JSE Limited, the Companies Act, 71 of 2008 and the King Report and principles on Corporate Governance for South Africa ("King III"). The Group has also considered and applied the Consultation Draft of the International Framework issued by the International Integrated Reporting Council ("IIRC").

The Group has adhered to the principles of Integrated Reporting and notes that this principle of reporting is an evolving process in industry. AfroCentric continually strives towards excellence in the Integrated Reporting process and focuses on measures of enhancement for future reporting.



GLOSSARY OF TERMS

"AfroCentric" or "the Company"	AfroCentric Investment Corporation Limited – the Group holding company
"the Board"	The Board of Directors of AfroCentric Investment Corporation Limited
"B-BBEE"	Broad-based Black Economic Empowerment
"CEO"	Chief Executive Officer
"CFO"	Chief Financial Officer
"the Companies Act"	The Companies Act (Act No 71 of 2008)
"AHL"	AfroCentric Health Limited
"CSI"	Corporate Social Investment
"the current period"	The year ended 30 June 2013
"the current year"	The year ended 30 June 2013
"GRI"	Global Reporting Initiative
"the Group"	AfroCentric Investment Corporation Limited, its subsidiaries and associates
"IFRS"	International Financial Reporting Standards
"IIRC"	International Integrated Reporting Council
"JSE"	Johannesburg Stock Exchange Limited
"King III"	King Report on Corporate Governance for South Africa 2009
"LGRC"	Legal, Governance, Risk and Compliance for the Group
"MD"	Managing Director
"MOI"	Memorandum of Incorporation which comprises the Company's existing memorandum of association and its articles of association
"the previous year" or "the prior year"	The year ended 30 June 2012
"the year" or "the year under review"	The year ended 30 June 2013

AFROCENTRIC GROUP

01

GROUP STRUCTURE

AfroCentric Investment Corporation Limited ("AfroCentric") is a black-owned, diversified investment holding company established in 2006 and listed on the JSE. AfroCentric has specifically invested in businesses that demonstrate favourable prospects for growth while actively contributing to the upliftment of South Africa's people in a meaningful and sustainable manner.

AFROCENTRIC GROUP

AFROCENTRIC HEALTH

AfroCentric Health

AfroCentric holds a majority equity stake in AfroCentric Health Limited ("AHL") representing the healthcare division of the Group.

Medscheme

Medscheme is a multi-medical aid scheme administrator and health risk management services provider operating both locally and internationally.

Helios

Helios provides health-centric technology solutions. Originally a business unit within Medscheme it is now a standalone, separately branded company which offers technology solutions to Medscheme as well as external clients.

Allegra

A subsidiary of Helios which specialises in Healthcare Management Solutions.

Aid for Aids

This business has established itself as a world leader in providing business with specialised Aids-related treatments and programmes for individuals living with HIV/AIDS.

AFROCENTRIC TECHNOLOGY

AfroCentric Technology

AfroCentric holds a minority interest in the JSE listed Jasco Electronics Holdings Limited ("Jasco").

Jasco Electronics Holdings

Jasco provides solutions, services and products to customers through three core divisions: Information and Communication Technologies ("ICT"), Industry Solutions ("Industry") and Energy Solutions ("Energy").

AFROCENTRIC RESOURCES

AfroCentric Resources

AfroCentric has an exploration and prospecting relationship with Rio Tinto Plc ("Rio Tinto").

Rio Tinto

Rio Tinto is a world leader in locating, mining and processing the earth's mineral resources.

AFROCENTRIC GROUP

01

GROUP PROFILE

AfroCentric has built a significant asset and JV portfolio

W.B. Holdings
- Farming and agricultural processing
- Cash shell on JSE

Rio Tinto JV
- Exploration and mineral rights
- Preferred BEE partners

AfroCentric Health Limited ("AHL")
- Medscheme
- Administration and Health Risk Management
- Acquired 83% stake

2005 2006 2007 2008 2009 2010 2013

AfroCentric begins
- 80% share capital purchased
- AfroCentric investment Corporation created

Initial rights offer
- 100c per share
- AfroCentric Empowerment Trust ("ACET") created

Jasco
- 3-way deal with M-TEC and CIH
- Acquired 34.9% stake
- Strategic contributions

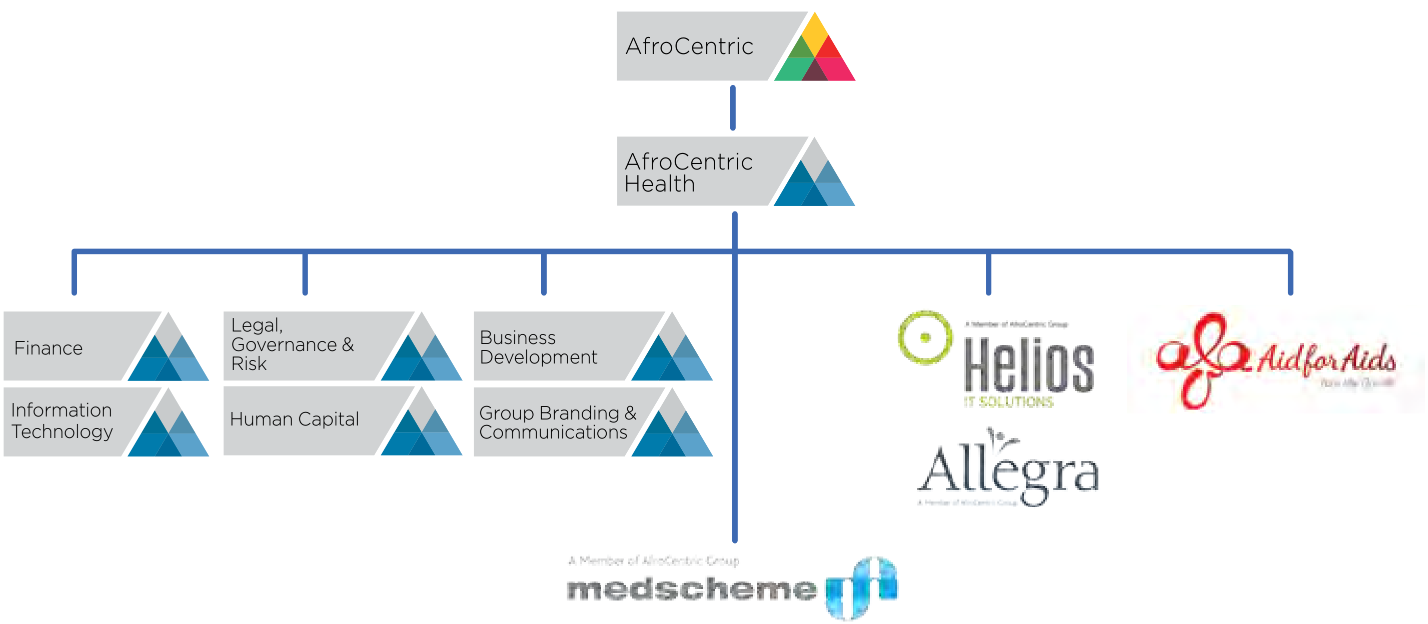
AHL
- Increased shareholding to 94.07% in AHL

Our Business Model

The Group's growth and success can largely be attributed to the healthcare provider model coupled with the acquisition of various companies within this industry sector. The strategy for the future is diversification and growth with a specific focus on further expansion of the Group within the fields of healthcare, technology and resources.

Our Business Structure

The AfroCentric Group's most significant investment lies in its equity interest in AHL. Accordingly, the Group profile has been compiled from an AfroCentric Health level. The Group has an array of various brands characterised by a series of companies with their own brands operating under an umbrella "house" brand, namely AfroCentric Health. The operating structure of the Group follows through from this "umbrella" approach and is reflected in the following diagram with Medscheme being the largest operating company in the Group.



Our Philosophy

Vision	Creating a world of sustainable healthcare
Mission	We create access to sustainable, affordable, quality healthcare through the application of innovation and expertise, delivered as an efficient, seamless experience.
Strategy	We redefine the management of healthcare risks and the delivery of service as marketable client offerings through the application of innovation and expertise whilst diversifying our revenue sources
Values	Mutual respect; Accountability; Empowerment; Integrity; Innovation

Products and Services

medscheme

Healthcare Administration
- Claims assessing
- Broker management and commissions
- National branch network
- Healthcare Provider Administration
- Scheme contribution collections
- Member query management (call-centres/email/fax)
- Fund management

17 South African medical schemes

Managed Healthcare Services
- Beneficial risk management: Empowering identified beneficiaries and their healthcare professionals through information-sharing, including structured and integrated wellness assessments and education.
- Provider management: Developing strategies with healthcare providers that deals with cost and quality of care.
- Hospital risk management
- Chronic medicine risk management
- Oncology management
- Dental, optometry, pathology and radiology risk management

19 South African medical schemes

Helios IT Solutions
- Providers of the Nexus and UMS systems
- Network connectivity
- Medscheme administrative support
- Various outsourced technology solutions within the Group structure

5 External licenced clients

AidforAids
- Provides customised, cost-effective solutions for the management of HIV/AIDS

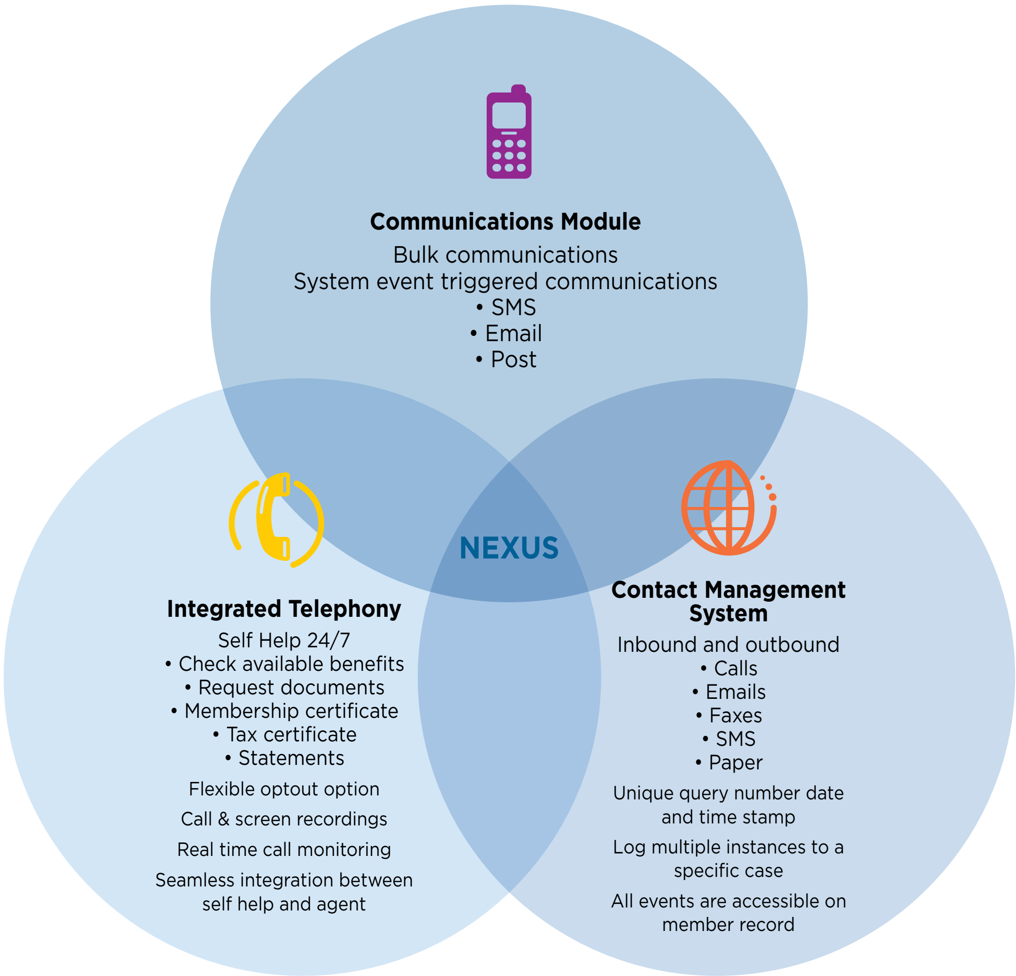
18 South African medical schemes

15 Corporate clients

7 Public Sector programmes

01

Our Integrated Approach to Customer Communication



R30 billion of medical scheme member contribution collections per annum

Our Health Administration call centres receive on average **664 000** calls per month with an average of **21 800** daily calls

16.8 million SMS's sent for the year

AFROCENTRIC WAS ESTABLISHED IN 2006 AND HAS SPECIFICALLY INVESTED IN BUSINESSES THAT DEMONSTRATE FAVOURABLE PROSPECTS FOR GROWTH WHILE ACTIVELY CONTRIBUTING TO THE UPLIFTMENT OF SOUTH AFRICA'S PEOPLE IN A MEANINGFUL AND SUSTAINABLE MANNER.

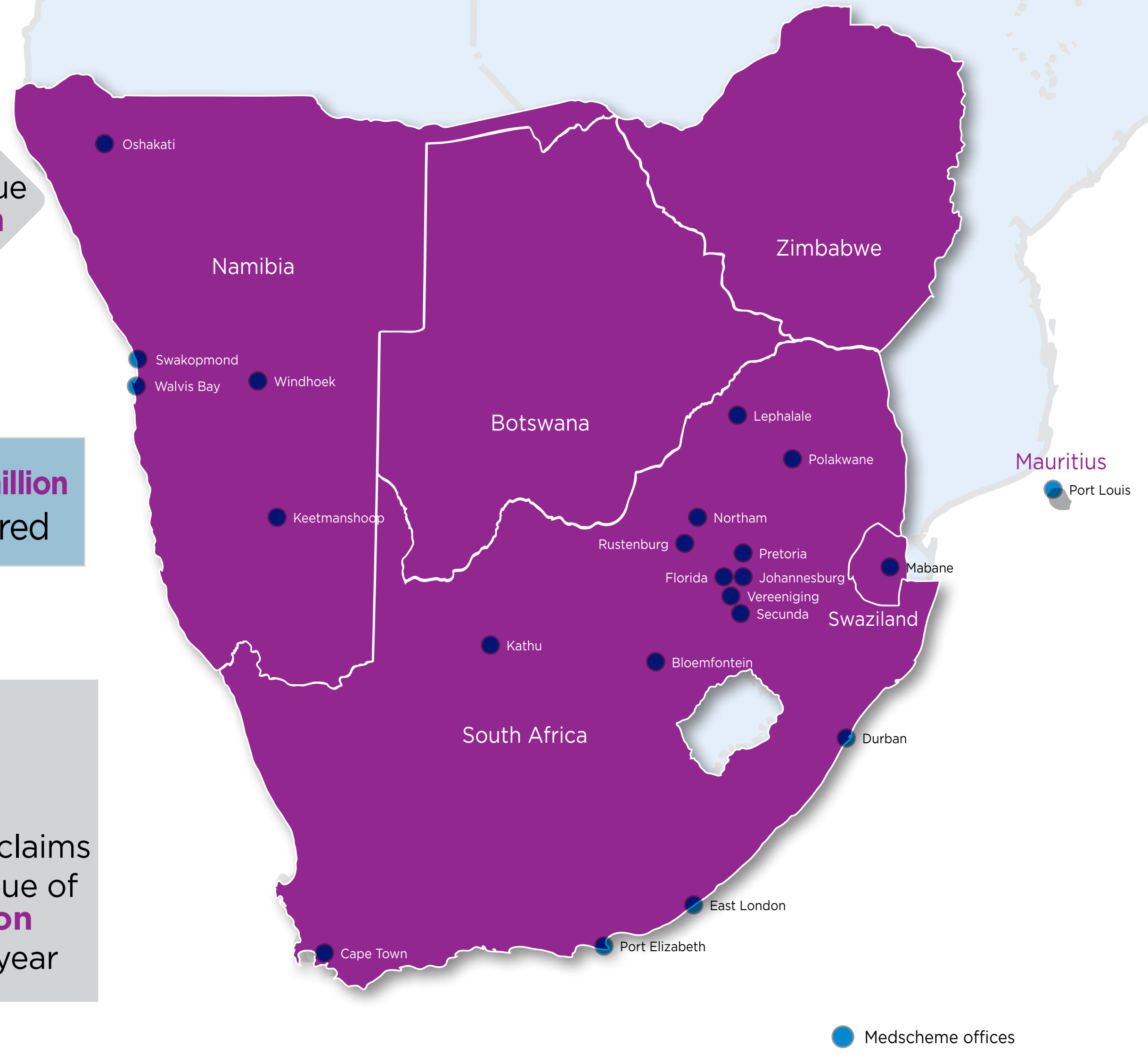
Number of employees **over 3 500**

- 5 medical consultants
- 400 registered nurses
- 10 senior analysts
- 70 pharmacists
- 5 healthcare actuaries and 5 advanced actuarial students
- 14 medical doctors

Group Revenue **R1.8 billion**

Over 3.4 million lives covered

Payments and claims runs to the value of **R18.6 billion** for the 2013 year



OUR LEADERSHIP

01

Our leadership is provided by the AfroCentric Board of Directors which consists of the following pre-eminent business minds:











Dr Anna T Mokgokong

Chairperson

The former President of the SA Women Entrepreneurs Network ("SAWEN") and the International Women's Forum of SA ("IWFSA"), she is also a Board member for various listed and unlisted companies in South Africa and abroad. She is one of the founding members and Group Executive Chairperson of Community Investment Holdings, a leading black empowerment company. With a medical degree and Doctorate in Economics, she has served in academia and the public sector and is a much sought-after public speaker with a keen interest in community development as well as Women Empowerment. She has received numerous accolades and acknowledgements both locally and internationally.

Mr Dewald Dempers

Group CEO

Dewald has dedicated his career to numerous aspects of the private and public healthcare industry. Following a successful career at Air Liquide, he founded Executive Active Management Practice, a company which provided a range of strategic and operational services to medical institutions. He served as the Chief Executive Officer of AfroCentric Health Limited (previously Lethimvula Investments Limited) until September 2012, when he was appointed CEO of the AfroCentric Group.

Mr Wallace Holmes

Group CFO

A qualified Chartered Accountant, Wallace completed his articles in South Africa and later in London with Coopers & Lybrand before accepting financial and secretarial positions at The Boots Company, Joy Manufacturing and Alpha Cement. He was then appointed Group FD for Adcock Ingram, before moving to Tiger Brands as CFO. Prior to joining Medscheme, Wallace served as CFO for the Airports Company of South Africa ("ACSA"). He has successfully fulfilled the role of Medscheme's CFO since 2003 and his portfolio has since grown to include the role of Group CFO.

Ms N Brigalia Bam

Non-Executive

Brigalia is the Chancellor of Walter Sisulu University and Founder of the Women's Development Foundation for Social Development & Community Services. She was Chairperson of the Independent Electoral Commission from 1999 until her retirement in 2011. She has previously served on a number of Boards and has received many awards for her achievements including but not limited to the Shoprite Checkers Women of the Year Lifetime Achievement Award, the Chancellors Medal awarded by the University of Pretoria, Grand Counsellor of the Baobab for Distinguished Service awarded by Former President Thabo Mbeki and honorary doctorates awarded by various universities.

Mr Brian Joffe

Major Shareholder

Brian is Founder and CEO of the Bidvest Group and serves on the Board of EnviroServ Holdings, Bidvest Australia and Aurochs Investment Co. A qualified Chartered Accountant, Brian completed his articles at Levitt Kirson Grosstarted before moving to Hersch & Co as MD in 1980 and later assumed the same position in the USA. He was the Group MD of W & A Investment Corporation. In 1988, Brian founded Bid Corporation, where he built an international business that now spans across five continents. He has received various accolades, business awards and an honorary doctorate from UNISA in light of his achievements.

Mr Joe Appelgryn

Non-Executive

Joe Appelgryn is a Chartered Accountant, having served articles at Ernst & Young, with experience in transaction advisory, capital raising and business and project appraisals. He founded Sinergi Corporate Advisors and has since raised more than R2 billion in funding for his clients and has led transactions for a range of businesses. His experience spans a range of industries focusing on Healthcare and Wood & Paper industries. Prior to Sinergi, Joe worked at the Industrial Development Corporation of SA Ltd ("IDC") for 8 years where he was active in the Wood & Paper Business Unit and in the establishment of the Healthcare & Education Business Unit. He has served on a number of boards and as Acting Chairman, Vice-chairman and Trustee of Resolution Health Medical Scheme ("RHMS"). He was also member of RHMS's Audit and Risk Management Committees.

Mr J Meyer Kahn

Founder

Meyer is currently an Independent Non-Executive Director on the Comair Limited Board and Chairman of the Risk Committee for Network Healthcare Holdings.

In 2012, he retired as Executive Chairman from SABMiller after a 46 year career within the Group. Meyer has served on the Boards of 16 listed companies, as a trustee of numerous organisations and is a past-president of The South Africa Foundation.

He has received a number of awards, amongst others, one of the five Top Businessmen (1983), Marketing Man of the Year (1987), Business Manager of the Year (1990), the Award for Business Excellence from Wits and has been honoured by the University of Pretoria as Professor Extraordinaire by way of an honorary doctorate in Commerce.

Mr M Joe Madungandaba

Major Shareholder

Having received a Bachelor of Commerce from UNISA and studied at the Cranfield School of Management (UK) and Wharton Business School (USA), he also became a member of the Institute of Commercial and Financial Accountants of Southern Africa. A keen businessman, Joe is also an Independent Non-Executive Director for Distell Group, CEO for Community Investment Holdings and a Board member of Jasco Electronic Holdings. He serves on a number of Boards of companies, both listed and unlisted, locally and internationally. He is a recipient of the Black Management Forum ("BMF") Manager of the Year Award and has helped shape government policy on taxation, reconstruction and development.

Ms Yasmin Masithela

Independent

She has qualified with a Bachelor of Arts and Bachelors in Law degree from UCT, a Higher Diploma in Company Law and a Masters of Laws in Taxation from the University of the Witwatersrand.

She held the position of the Head of Project and Export Finance at Siemens Limited from 2001 to 2004. She thereafter moved on and started up a successful law practice, Phukubje Pierce Masithela Attorneys. Yasmin, as founder and owner, practiced as an attorney and managed this practice from 2005 to 2011. She is currently General Counsel at ABSA Financial Services.

Mr Garth Napier

Independent

Garth is currently a Marketing and Business Strategy Executive at Edcon. He has a Bachelor of Commerce degree from the University of Natal and a Masters in Business Administration from Harvard Business School.

He has filled senior positions at local and international companies in the fields of marketing and strategy over the last 10 years. Garth was formerly employed at McKinsey & Company.

Mr Michael (Motty) Sacks

Founder

Motty is a qualified Chartered Accountant with an esteemed career in business. He was the co-founder of Netcare Limited and served as Chairman of the Board for 15 years until his retirement in 2011. Motty was also a co-founder of Net 1 (Aplitec Limited) and also served as its Non-executive Chairman.

Motty has served as a Non-executive Director on several listed institutions, including being the Non-executive Chairman of Advtech Limited, South Africa's largest private education institution. Motty has also served as a Director of the International Association of Political Consultants, of which he has been a member since 1983. He is actively involved in black economic empowerment initiatives and serves on numerous committees and trusts dedicated to supporting these objectives.

AFROCENTRIC GROUP

"We need people like you who put their customers first. The feedback you provided made it easy for me to realise there are still people out there who care for their customers."

Bonitas member

"Your empathy was remarkable, you made me feel at peace and reassured. I was really surprised to receive notification about the activation of my membership the very next day. I know we will walk a long way side by side with your company judging by the kind of service you provide."

Fedhealth member

"I was blessed by your eagerness to help. Well done, keep having that passion for what you do."

GEMS member

CHAIRPERSON'S REPORT

02

Dr Anna Mokgokong
Chairperson

AfroCentric is one of very few Black controlled companies listed on the Johannesburg Securities Exchange. AfroCentric's primary investment is in private healthcare, a corporate sector of the economy that still remains largely controlled by South Africa's traditional institutions.

Apart from the Group's depth of skills and the high level of service provided to its clients, the paradox is that AfroCentric, even with a level 2 BEE rating, faces far greater competitive and regulatory obstacles than its peers, where industry regulatory construct, market promotion and practice, remains inconsistent with Government's stated B-BBEE objectives. Against this disadvantageous background, Afrocentric has made extraordinary progress.

Performance and Environment

The AfroCentric Group has once again delivered positive financial results for the financial year under review and a final dividend of 15 cents per share has been declared (2012: 10.5 cents per share) representing an increase of 42.9%.

What is perhaps most significant about the dividend, is that it applies to all issued ordinary shares, including the second tranche shares, the Executive Share Awards and the shares issued in terms of the Redemption covenants of the Preference Shares.

The results are all the more encouraging, given the adverse factors presently affecting the South African economy, not least being the recent bouts of labour instability, the continuing high unemployment rate, lower foreign direct investment and generally, the unsettled levels of confidence. All of these features have a material adverse impact on the private healthcare industry as membership growth, through new and preferably young employed entrants, is the most advantageous component for any medical scheme's sustainability.

The acquisition of AHL ("Lethimvula") is virtually finalised and the CFO report covers this pertinent transaction in detail. In retrospect, given the profits of AHL for 2013, at R250 million after tax, the eventual purchase price paid for AHL equates to a PE ratio of less than 4 times earnings.

The new South Africa has immense promise and I want to assure AfroCentric stakeholders, that notwithstanding economic cycles that occur from time to time, our Board of Directors, our Executive management and our staff, in excess of 3 500 in number, will continue with confidence to diligently apply themselves to optimise the opportunities that present themselves both for investment as well as in our commitment to service excellence.

Our investment in Jasco has admittedly been disappointing this year unfortunately affecting our profitability by approximately R30 million. The main cause of the impairment in value of our investment arises from the underperformance of Jasco's subsidiary, Malesela-Taihan Electric Cables ("M-TEC") and we have been advised that the investment in M-TEC has been classified as an asset "held-for-sale". Management are diligently seeking a satisfactory outcome to this matter.

There is little to report on AfroCentric's Relationship Agreement with Rio Tinto, save to advise that an interesting iron ore project has been identified for exploration and we are awaiting the outcome of our Joint Venture Application in regard to the award of the rights from Departmental Authorities.

Leadership

Brigalia Bam retired as Chairperson of the Board but has agreed to continue as a Non-Executive Director. On behalf of the Board, I would like to thank her for her services as Chairperson over the years.

We would also like to extend our welcome to Dewald Dempers. As the Group CEO, he has been appointed to the Board of Directors and we look forward to his continuing contributions and insight. We also welcome Joe Appelgryn who was appointed to the Board as an Independent Non-Executive Director post year-end.

The AfroCentric Board of Directors is an accomplished group of individuals whose experience and credentials speak for themselves.

Governance and Compliance

Values and ethics form the cornerstone of a successful and sustainable business and the Group has continued to provide exceptional standards in this regard.

Overall Governance has seen a marked and significant improvement with an emphasis placed on compliance with King III, the JSE Listings Requirements and the Companies Act and this will be an ongoing development process. The improvements and accomplishments reflect the Group's commitment to sound Corporate Governance practices and principles.

A detailed Corporate Governance Report is available on page 84.

Further improvements included the preparation of the first Integrated Annual Report according to Consultation Draft of the International Framework issued by the IIRC.

Outlook

The Group anticipates growth for the forthcoming financial year and will invest in certain areas of the business, notably IT. This will improve or establish the appropriate structures necessary and thereby strategically position the business for meaningful growth going forward.

It was gratifying, but not entirely surprising, that this black-controlled Group, was recently recognised by the Financial Mail/Accenture and rated fourth best company for 2013.

Acknowledgements

Thank you to the Board of Directors, the management team and our employees for their continued commitment during the financial year.

To our stakeholders, I extend my gratitude for your ongoing support and confidence in our business.

Dr A Mokgokong
Chairperson

CHIEF EXECUTIVE OFFICER'S REPORT

Mr Dewald Dempers
Group Chief Executive Officer

It is with great pleasure that I present my first report as Chief Executive of the AfroCentric Group since my appointment to the Board of Directors in September 2012.

The Group has again achieved outstanding results for the 2013 financial year posting an increase in Revenue of 22% and delivering profits before tax of R270 million. Cash flows in the healthcare business are traditionally strong and this is reflected in the 33% increase in Cash Generated from Operations resulting in a 49% increase in Cash and Cash Equivalents on hand at year-end of R360 million. The Group continues to grow its capital base improving its resource platform for further investments and expansion.

Finalisation of the AfroCentric Health Limited ("AHL") transaction

As detailed in the Circular to Shareholders dated 18 September 2008, the finalisation of the original purchase of AHL (formerly Lethimvula Investments Limited) is to occur in the latter half of the 2013 calendar year.

The vendors (as defined in the Circular) of shares in AHL, warranted profits after tax ("PAT") for the financial years ending 2011, 2012 and 2013 at an average of R180 million. Based on the extent to which the warranty is attained and in terms of the tailored formula, AfroCentric will issue additional ordinary shares to these vendors including a further cash consideration.

In terms of the Circular to Minority Shareholders dated 27 February 2009, the Minority Shareholders of AHL who accepted the AfroCentric offer for their shares, will also be entitled, based on the same formula, to additional ordinary shares and the further cash consideration.

I am pleased to report that the profit warranties were attained at a level of 90% in terms of the definition of warranted PAT, resulting in the Second Tranche payments calculated in terms of the relevant formula. This is an impressive achievement and I was particularly pleased with the consistent and stable trend of growth in what was a rather challenging economic environment.

Empowerment

Given the Group's deliberate precedence for transformation, AfroCentric now enjoys a level 2 B-BBEE rating, with 75% of our 3 500 staff complement being Black and 72% Female. The Group will continue to consider processes of transformation, an agenda item that is consistently reviewed not only for scorecard compliance, but for institutional example.

Sustainability and Value-Add

The Group recognises the need for sustainability practices and our support thereof is reported herein the detailed Sustainability Report. The Group's vision and values are some of the driving forces for the success of the business and service excellence is an unwavering objective on behalf of our many and respected clients.

As a service delivery business our employees are integral to the Group's sustainability and with our staff's vast experience and wealth of knowledge, it is not surprising that our staff are widely recognised by our clients and their members for their high calibre application and diligence." Our People, Our Passion" is a watchword of the Group and our staff are supported through various in-house initiatives which include inter alia a range of remuneration incentives and wellness programmes. Staff remuneration is the single largest cost within the Group and during the year under review salaries and allowances reached close on R1 billion.

Investment in associate

Unfortunately the Group suffered significant losses through the declining value of our investment in Jasco Electronics Holdings ("Jasco"). Over the last two years Jasco has posted much lower operating performances than was expected, this year aggravated substantially by the material impairment of Jasco's 51% investment in M-TEC. This investment was reported to be classified in Jasco as an "asset-for-sale" and negotiations are taking place for its disposal.

Strategy developments

Open medical scheme administration and care management has over the past years been dominated by one major institution, the growth and success, in my opinion, largely due to imbalances in certain legislative and structural industry orientations. These restraining features in the general market need attention and review and every endeavour will be made to promote an equitable regulatory environment where Medical Schemes can compete on an equal footing going forward.

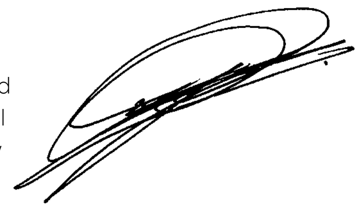
Diversification of the business

Skills have been developed and already exist within the Group for further diversified investments, this intention being consistent with the diversified objectives of the Group's founders several years ago. The Board Investment Committee continue to consider new investment opportunities and as required, shareholders will be kept informed of any new developments.

Encouraging inroads have been made internationally where the Group not only has established a presence, but also provides certain administrative services to a number of foreign clients in other countries. Apart from our foreign operating enterprises more fully disclosed in this Integrated Annual Report, it is expected that this additional foreign feature of our services offering will show consistent growth going forward.

Thanks

I would like to extend my sincere thanks to Andre Meyer, CEO of the Group's healthcare division, and his impressive Executive team for their continued loyalty and exceptional performance during this past year. I would also like to extend my gratitude to the AfroCentric Board of Directors and all of the staff for their contribution to the success of the Group for this financial year.



Dewald Dempers
Group CEO

FINANCIAL RESULTS AT A GLANCE

Group Membership
▲3%

Revenue
▲22%

Operating profit
▲29%

Share price
▲28%

Normalised earnings per share
▲31%

Dividend per share
▲43%

Cash and cash equivalents
▲49%

Profit warranty level attained
90%

After a comprehensive analysis of AHL's profit after tax for the years 2011, 2012 and this 2013 financial year, measured in terms of the tailored definition of profit after tax in terms of the 2008 Acquisition Agreement, the Board is pleased to report that a level of 90% of the profit warranty was attained over the measurement period. The formula applied for the release of the second tranche issue of shares, on this level of attainment, dictates that 80% of the contingent shares be issued to vendor Shareholders as defined. Accordingly, 100 805 395 shares in respect thereof will be issued.

In addition to the issue of the contingent shares, the preference Shareholders will exercise their option to redeem their preference shares for ordinary shares. This redemption rate is calculated at 15% of all ordinary shares in issue at the date of redemption. Accordingly 70 million ordinary shares are deemed to be issued in terms of this preference share redemption.

The remaining shares calculated to derive the 452 million diluted ordinary shares, refer to the section "Earnings Attributable to Equity Holders", represent the shares issuable to executive management of AHL for achieving the profit warranty. For a clearer comparison, the weighted amount of diluted shares have been calculated for the 2012 year and is set out in the section "Normalised Income Statement" and "Calculation of Normalised earnings per share".

AFROCENTRIC GROUP

FINANCIAL RESULTS AT A GLANCE

Key Features	2013	2012	2011	% change 2012/2013	% change 2012/2011
Revenue (R millions)	1 770 330	1 448 261	1 351 253	22.2%	7.2%
Operating profit (R millions)	333 657	259 301	223 113	28.7%	16.2%
Headline earnings (R millions)	129 637	148 793	126 926	(12.9%)	17.2%
Cash generated from operations (R millions)	340 413	255 152	163 049	33.4%	56.5%
Normalised earnings per share (cents)					
– Attributable to ordinary shares (cents)	75.56	57.57		31.2%	
– Diluted earnings per share (cents)	44.91	34.12		31.6%	
Normalised headline earnings per share (cents)					
– Attributable to ordinary shares (cents)	62.95	51.69		21.8%	
– Diluted earnings per share (cents)	37.42	30.63		22.2%	
Statutory earnings per share (cents)					
– Basic	60.75	61.55	44.32	(1.3%)	38.9%
– Diluted	36.11	52.31	37.64	31.0%	39.0%
Statutory headline earnings per ordinary share (cents)					
– Basic	48.15	55.67	47.98	(13.5%)	16.0%
– Diluted	28.62	47.58	40.75	(39.9%)	16.8%
Statutory cash earnings per share generated from operations (cents)					
– Basic	126.43	95.48	61.63	(32.4%)	54.9%
– Diluted	75.15	76.77	52.34	(2.1%)	46.7%
Dividends paid per ordinary share (cents)	15.00	10.50	9.00	42.9%	16.7%
Share price as at 30 June (Rand)	3.90	3.05	2.00	27.9%	52.5%

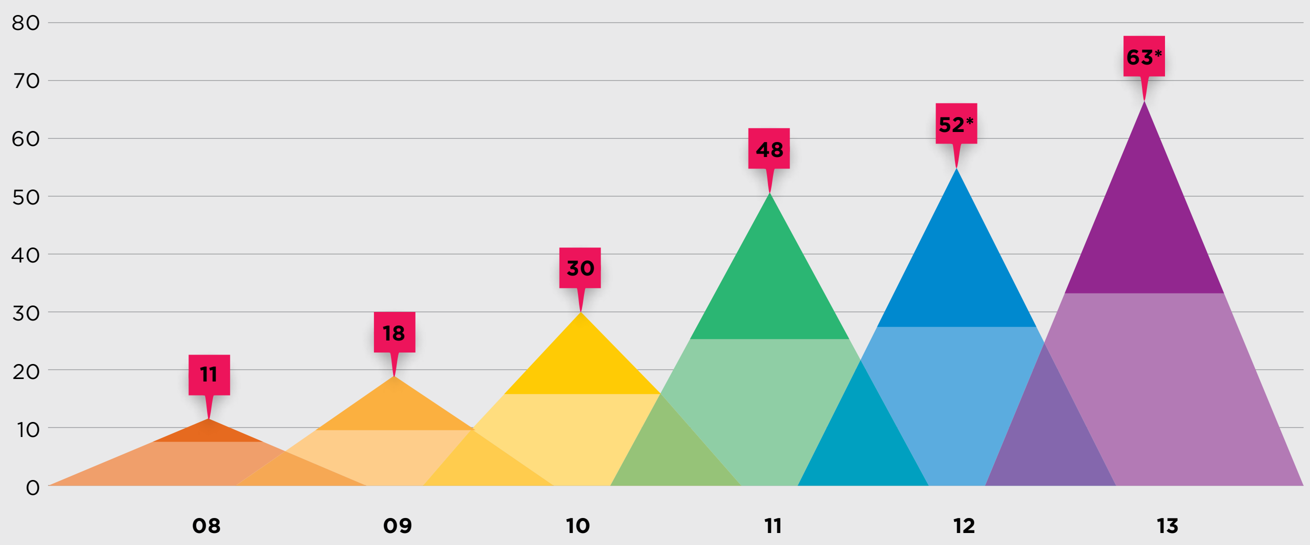
Group Membership	2013	2012	2011	% change 2012/2013	% change 2012/2011
	1 405 233	1 360 796	1 272 840	3.3%	6.9%
Open schemes	368 832	348 517	336 298	5.8%	3.6%
Closed schemes	119 854	118 246	115 840	1.4%	2.1%
GEMS	673 966	640 807	558 441	5.2%	14.7%
Other and SADEC schemes	242 581	253 226	262 261	(4.2%)	(3.4%)

The key features indicators shown above illustrates a Group that is growing in terms of its core business whereby its share of the Healthcare market is expanding through growth in the current administered schemes as well as selling additional services to its current clients. Medscheme, the largest subsidiary in the Group, is well positioned to capitalise on the market consolidation that is taking place by being one of the three biggest healthcare administrators in South Africa (refer to page 42 for more background).

Whilst revenue increased by 30% since 2011, the operating profit for the Group has increased by 50% which illustrates that the business is highly geared towards volumes and economies of scale of new membership. Additional revenue growth therefore represents further exponential growth in profit as fixed costs are minimal to take up any additional administration functions presented.

The earnings per share and headline earnings per share was impacted by various once-off, non-cash and non-recurring costs associated with the profit warranty period coming to an end. In order to demonstrate a more sustainable and core headline earnings for the Group, the normalised income statement and the normalised earnings per share calculations are reflected hereunder. Normalised earnings per share and normalised earnings have increased in excess of 30% which correlates well with the operating profit growth of the Group.

Headline earnings per share (compounded 5 years)
cents



** Normalised headline earnings per share*

AFROCENTRIC GROUP

FINANCIAL RESULTS AT A GLANCE

Three year Consolidated Profit Statement

	Audited year ended 30 June 2013 R'000	Audited year ended 30 June 2012 R'000	Audited year ended 30 June 2011 R'000	% change 2012/2013	% change 2012/2011
Revenue	**1 770 330**	1 448 261	1 351 253	22.2%	7.2%
Operating costs	**(1 436 673)**	(1 188 960)	(1 128 140)		
Operating profit	**333 657**	259 301	223 113	28.7%	16.2%
Other income	**2 307**	14 894	31 978		
Net finance income	**8 168**	3 371	1 478		
Foreign exchange benefit	**1 900**	–	–		
Share of associate (losses)/profits – Jasco	**(30 030)**	5 988	2 147		
Share of associate profits – Healthcare	**8 553**	8 854	8 741		
Profit before impairment and amortisation	**324 555**	292 408	267 457	10.9%	9.3%
Fair value gain/(loss) on investment in associate	**7 253**	13 162	(10 266)		
Fair value gain of investment	**5 252**	1 175	–		
Impairment of intangible asset	**–**	–	(4 958)		
IFRS 2 compliance adjustment	**(39 868)**	(9 357)	–		
Profit on sale of investment	**51 014**	–	–		
Depreciation	**(37 251)**	(38 128)	(44 170)		
Amortisation of intangible assets	**(40 098)**	(36 356)	(35 542)		
Profit before income tax	**270 857**	222 904	172 521	21.5%	29.2%

The increase in revenue of 22% (2012: 7%) was mainly due to organic growth, growth in the GEMS administration and managed care contracts as well as contributions from acquired and expanding divisions. AfroCentric's operating profits amounted to R334 million during the period under review (2012: R259 million) an increase of 29%. Further efficiency improvements in the healthcare business via greater economies of scale contributed to an even higher increase in operating profit. It is management's intention to integrate and streamline all acquired and expanding divisions to rationalise with current Medscheme operations going forward. AHL's core healthcare business has therefore continued its rate of compound growth in earnings of 35% for the past four years.

Apart from organic growth, notable positive features during the year were the amalgamation and inclusion of the ProSano Medical Scheme's 26 000 members into the Bonitas Medical Fund and the sale of Medscheme's investment in TradeBridge yielding a profit of R51 million.

AfroCentric's investment in Jasco was once again disappointing, its losses incurred primarily as a result of the substantial impairment of its investment in MTech. Given the nature of the associate losses, the amount is adjusted in headline earnings and not expected to recur. Jasco has forecast a return to profitability in the 2014 financial year.

Normalised Income Statement

	Audited year ended 30 June 2013 R'000	Audited year ended 30 June 2012 R'000	Audited year ended 30 June 2011 R'000	% change 2012/2013	% change 2012/2011
Profit before impairment and amortisation	**324 555**	292 408	267 457	10.9%	9.3%
Share of associate losses – Jasco (Note 1)	**30 030**				
Cash profits from core operations	**354 585**	292 408	267 457		
Depreciation	**(37 251)**	(38 128)	(44 170)		
Amortisation of intangible assets	**(40 098)**	(36 356)	(35 542)		
IFRS 2 expenses and headline adjustments excluded (Note 2)	**–**	–	–		
Net profit before tax from core operations	**277 236**	217 924	187 745	27.2%	16.1%
Normalised effective tax charge of 28%	**(77 626)**	(61 019)	(52 569)		
Net profit after tax from core operations	**199 610**	156 905	135 176		

Note 1: The significant losses from Jasco for the 2013 year represents a once-off investment impairment which is not in the normal course of business.
Note 2: In order to demonstrate the true core operations and net profit all headline adjustable items are excluded from normalised earnings as well as any IFRS 2 expenses relating to the profit warranty achievement.

Condensed Consolidated Statement of Cash Flows

	Audited year ended 30 June 2013 R'000	Audited year ended 30 June 2012 R'000	Audited year ended 30 June 2011 R'000	% change 2012/2013	% change 2012/2011
Cash generated from operations	**340 413**	255 152	163 049	33.42%	56.5%
Net finance income	**8 168**	3 371	1 478		
Dividends paid	**(33 219)**	(28 274)	(26 035)		
Dividends received	**23**	6	–		
Tax and other payments	**(88 305)**	(114 050)	(34 498)		
Net cash inflow from operating activities	**227 080**	116 205	103 994		
Net cash outflow from investing activities	**(114 459)**	(55 321)	(88 869)		
Net cash inflow from financing activities	**3 780**	8 315	43 050		
Effect of foreign exchange benefit	**1 900**	–	–		
Net increase in cash and cash equivalents	**118 301**	69 199	58 175		
Cash and cash equivalents at beginning of the period	**241 910**	172 711	114 536		
Cash and cash equivalents at end of the period	**360 211**	241 910	172 711	48.9%	40.1%

By comparing the cash generated through operations to the operating profit, a direct and close relationship is noted with regards to the cash generating abilities of the Healthcare business, AHL. The nearly 98% correlation only requires a tax adjustment to derive at the deemed net cash generated by the business of 70% of operating profit. As capital expenditure is fairly low in this industry, a high value could be attached to the cash generating abilities of the business which is clearly above market compared to any other industries. In retrospect given the profits of AHL, the eventual purchase price paid for AHL equates to a PE ratio of less than 4 times earnings.

AFROCENTRIC GROUP

FINANCIAL RESULTS AT A GLANCE

02

Earnings Attributable to Equity Holders

	Audited year ended 30 June 2013 R'000	Audited year ended 30 June 2012 R'000	Audited year ended 30 June 2011 R'000	% change 2012/2013	% change 2012/2011
Number of ordinary shares in issue	**270 010 639**	268 231 817	265 947 672		
Number of preference shares in issue	**16 638 000**	16 638 000	16 638 000		
Weighted average number of ordinary shares	**269 256 170**	267 276 657	264 561 839		
Weighted average number of shares for diluted EPS which include shares on conversion of preference shares, share-based awards and second tranche shares to be issued	**452 953 162**	332 384 302	311 493 781		
Basic earnings	**163 570**	164 506	117 248		
Adjusted by:	**(33 933)**	(15 713)	9 678		
– Impairment of PPA	**–**	–	146		
– Impairment of intangible assets	**–**	–	4 958		
– Adjustment of impairments recognised by associate	**30 030**	–	–		
– Fair value gain on investment	**(5 252)**	(1 175)	–		
– Fair value adjustment of investment in associate	**(7 253)**	(13 162)	10 266		
– Profit on disposal of assets	**(440)**	(566)	(1 226)		
– Profit on disposal of assets	**(51 014)**	–	–		
– Fair value adjustments (other)	**(4)**	(810)	(4 466)		
Headline earnings	**129 637**	148 793	126 926		
Earnings per share (cents)					
– Attributable to ordinary shares (cents)	**60.75**	61.55	44.32	(1.3%)	38.9%
– Diluted earnings per share (cents)	**36.11**	52.31	37.64	(30.9%)	39.0%
Headline earnings per share (cents)					
– Attributable to ordinary shares (cents)	**48.15**	55.67	47.98	(13.5%)	16.0%
– Diluted earnings per share (cents)	**28.62**	47.58	40.75	(39.8%)	16.8%
Cash earnings per share generated from operations (cents)					
– Attributable to ordinary shares (cents)	**126.43**	95.48	61.63	32.4%	54.9%
– Diluted earnings per share (cents)	**75.15**	76.77	52.34	(2.1%)	46.7%

Calculation of Normalised Earnings Per Share for AfroCentric

	2013	2012	% change
Basic Earnings	**163 570**	164 506	
Normalised tax adjustment in 2012 (at 28%)		(20 000)	
IFRS 2 add-back	**39 868**	9 357	
Normalised Basic Earnings	**203 438**	153 863	
– Adjustment of impairments recognised by associate	**30 030**	–	
– Fair value gain on investment	**(5 252)**	(1 175)	
– Fair value adjustment of investment in associate	**(7 253)**	(13 162)	
– Profit on disposal of assets	**(440)**	(566)	
– Profit on disposal of assets	**(51 014)**	–	
– Fair value adjustments (other)	**(4)**	(810)	
Normalised Headline Earnings	**169 505**	138 150	
Weighted average number of ordinary shares	**269 256 170**	267 276 657	
Weighted average number of ordinary shares and potential ordinary shares	**452 953 162**	450 978 885*	
Earnings per share (cents)			
– Attributable to ordinary shares (cents)	**75.56**	57.57	31.2%
– Diluted earnings per share (cents)	**44.91**	34.12	31.6%
Headline earnings per share (cents)			
– Attributable to ordinary shares (cents)	**62.95**	51.69	21.8%
– Diluted earnings per share (cents)	**37.42**	30.63	22.2%

** 2012 adjusted for contingent shares, executive shares and full potential preference share conversion*

AFROCENTRIC GROUP

CHIEF FINANCIAL OFFICER'S REPORT

02

Mr Wallace Holmes
Chief Financial Officer

This Report is intended to provide a high level overview of the financial performance of the AfroCentric ("ACT") Group for the year ended 30 June 2013. It should be read in conjunction with the Consolidated Annual Financial Statements.

Financial Results

ACT delivered sound financial results with Normalised Earnings Per Share reflecting growth of 31% against a background of increased revenue growth.

Revenue increased by 22% to R1.8 billion, impacted mainly by new administration contracts within the AfroCentric Health Limited ("AHL") Administration and Managed Care operations.

Operating profit of R334 million reflected an increase of 29% compared to the prior year, due largely to ongoing operational efficiencies within AHL.

The Group's share of losses from associate company Jasco was R30 million, arising from impairments reflected in that company's results. The Group has an interest of 27.3% in Jasco.

The Group also incurred an additional IFRS 2 compliance adjustment of R40 million relating to the Executive share awards granted as part of the original acquisition of AHL (formerly Lethimvula Investments Limited) in 2008.

During the period under review, Medscheme Holdings (Pty) Limited, a wholly-owned subsidiary of AHL, disposed of its 28.3% interest in Tradebridge (Pty) Limited, resulting in a capital profit of R51 million.

Headline Earnings and Normalised Earnings

After adjusting basic earnings of R163.6 million attributable to ordinary Shareholders, by the Jasco impairments, other fair value adjustments and capital profits referred to above, Headline Earnings of R130 million reflect a decline of 13%. However, given the non-cash and non-recurring nature of the Executive share awards, the Board is of the view that a more meaningful measure of the Company's performance is revealed by adding back the IFRS 2 compliance adjustment, which is referred to as "normalised earnings". In this calculation taxation of 28% has been applied to both years.

Normalised earnings per share reflects growth of 31%.

The R180 million Net Earnings Warranty Target

AfroCentric's acquisition of AHL in 2008 included a profit warranty provision. The warranty considers the aggregate profits after taxation ("PAT") specially fashioned and purposely defined in the acquisition agreement ("the 2008 Acquisition Agreement") over the three-year period, which ended on 30 June 2013 (the measurement period). The quantum and second tranche payments to vendor Shareholders (also defined in the 2008 Acquisition Agreement and the 2008 and 2009 Circulars) is based on the actual PAT delivered over the measurement period (calculated in terms of the special purpose definition).

After a comprehensive analysis of AHL's profits after tax for the years 2011, 2012 and this 2013 financial year measured in terms of the tailored definition of profit after tax, it is pleasing to report that a level of 90% of the profit warranty was attained over the measurement period. The formula applied for the release of the second tranche issue of shares, on this level of attainment, dictates that 80% of the contingent shares be issued to vendor Shareholders as defined. Accordingly, 100 805 395 shares in respect thereof will be issued.

The second tranche shares are expected to be issued in November 2013 and the Company will, in due course, advise Shareholders through announcements on SENS and in major newspapers regarding the processes to be applied for this purpose.

Cash Flow

The Group generated cash from operating activities of R340 million resulting in an increase of cash earnings per share of 32%. This significant indicator again reflects the very strong cash-generating nature of the ACT Group's primary activities.

After tax and dividend payments, cash from operations totalled R227 million. Net cash outflow from investing activities totalled R114 million.

Cash and cash equivalents at June 2013 are R360 million compared to R242 million at June 2012.

Financial Position

Total assets of the ACT Group are R1.5 billion at 30 June 2013, comprising primarily intangible assets and cash/cash equivalents. The intangible assets relate to AHL goodwill, customer relationships and IT assets.

Ordinary Shareholders' Funds are R1 billion, including distributable reserves of R461 million.

Long-term borrowings of R200 million relate to the debt incurred for the original acquisition of the AHL business.

Dividends

The Board of Directors has announced that a dividend of 15 cents per ordinary share (gross) (2012: 10.5 cents) has been declared for the year ended 30 June 2013. No preference dividend is provided for as the ordinary dividend will be paid after the date on which the preference shares are converted or redeemed. Dividends are subject to Dividends Withholding Tax.

Conclusion

Now that the acquisition of AHL (Lethimvula) is virtually finalised, Shareholders can take comfort from the fact that AHL has developed into a significant player in the private health care industry, a company with a proven business model, a sound, experienced and talented management team and a track record revealing a sustainable and impressive growth trend in earnings.

The Group's investment in Jasco has been unfortunate, the effect though, arising substantially through the poor performance and impairment of M-TEC. The decision to categorise M-TEC as an asset for sale may well be the right decision. M-TEC has a substantial production capacity and net asset value and its fortunes could easily be reversed in the right economic circumstances.

The Group's balance sheet is largely ungeared, its cash flows have always been strong and the Board remains confident in the Group's positive direction for 2014.

Wallace Holmes
Chief Financial Officer

"Thank you very much for your excellent and speedy service regarding my cards being delivered to my doorstep within 24 hours. Just two minutes on the phone with you and the magic was done. Keep up the good work, I am glad and really appreciate your kind assistance."

Bonitas member

"I would like to commend you on the excellent client service you provide. Your efficiency, professionalism and competency are much appreciated."

Healthcare service provider

"You render excellent service. I am a very old member and not once was I given bad service. I salute you all, the manner in which you handle my matters is always polite and professional."

Barloworld member

"Thank you for the wonderful service you provide. You are the best."

GEMS member

EXECUTIVE COMMITTEE

The AfroCentric Health Executive Committee provides the operational leadership and structure for our Group and consists of the following recognised individuals:

Mr Dewald Dempers

Group CEO

Dewald has dedicated his career to numerous aspects of the private and public healthcare industry. Following a successful career at Air Liquide, he founded Executive Active Management Practice, a company which provided a range of strategic and operational services to medical institutions. He served as the Chief Executive Officer of AfroCentric Health Limited (previously Lethimvula Investments Limited) until September 2012, when he was appointed CEO of the AfroCentric Group.

Mr Andre Meyer

Medscheme Holdings – CEO

He began his career in 1987 as a consultant for Alexander Forbes Financial Services and was promoted to MD of the Negotiated Benefits Division. In 1996 Andre accepted the position of Deputy MD for Alexander Forbes' Health Care Consultants division where he was responsible for Health Care Consulting, Health Management Solutions and Communications.

In April 2003, Andre was appointed Group CEO at Medscheme with overall strategic and management responsibility for the Group. In this capacity he successfully repositioned Medscheme as a respected leader in the private healthcare industry and steered the Group through its acquisition by Lethimvula Investments Limited and subsequent integration with Old Mutual Healthcare.

Mr Wallace Holmes

Group CFO

A qualified Chartered Accountant, Wallace completed his articles in South Africa and later in London with Coopers & Lybrand before accepting financial and secretarial positions at The Boots Company, Joy Manufacturing and Alpha Cement. He was then appointed Group FD for Adcock Ingram, before moving to Tiger Brands as CFO. Prior to joining Medscheme, Wallace served as CFO for the Airports Company of South Africa ("ACSA"). He has successfully fulfilled the role of Medscheme's CFO since 2003 and his portfolio has since grown to include the role of Group CFO.

Mr Kevin Aron

Medscheme Holdings – MD South Africa operations

A qualified Chartered Accountant and Henley (UK) MBA graduate, Kevin completed his articles at Ernst & Young before starting his career at SA Druggists and then Healthcare Management Systems. A move to Medical Services Organisation followed during which he rose from Financial Director to Chief Operating Officer after which he accepted a position at Investec and later at Medscheme. During his tenure at Medscheme, Kevin has led the Sales, Marketing and Operations units and now leads the South African operations of Medscheme.

Mr Lee Callakoppen

Medscheme Holdings – Human Capital

Lee achieved an Information Science degree and an honours degree in Business Management through the Rand Afrikaans University. Lee qualified as an Industrial Sociologist in 1999 and began a career in operational management within the retail sector before moving into Human Resources. He has held various positions in a range of industries including retail, telecommunications and media. Lee held the position of HR Executive for the Primedia Content Division before joining Medscheme in 2007.

Ms Ettie da Silva

Bonitas Marketing – CEO

A qualified attorney and MBA graduate, Ettie served articles at MacIntosh Cross & Farquharson Attorneys ("MC&FA") before joining the Road Accident Fund as a Legal Officer in 1990. She later returned to practice as an attorney with JM Weiman & Partners Attorneys and then MC&FA. In 1999, Ettie opened her own practice where she specialised in the High Court litigation of commercial law, personal injury claims, matrimonial law, labour law and BEE compliance. She joined Medscheme Holdings in 2005 as the General Manager of Legal, Governance, Risk and Compliance and was later promoted to Executive Director of this unit. She was then promoted to the role of CEO for Bonitas Marketing, in February 2013.

Mr Aglaak Mahmood

Medscheme Holdings – Business Development

Aglaak has more than 10 years worth of experience in the healthcare industry as the deputy CEO of LA Health Medical and the former Principal Officer of ProSano Medical Scheme. An accountant and MBA graduate through the University of Stellenbosch, he received the Dean's merit award for the highest achievement attained in the strategy component of the programme. Aglaak has served on the Board, Audit Committee and Pension Fund of Global Health Medical Scheme. He has also been a member of various other committees and forums, including as Chairman of the Audit Committee of the City of Cape Town and a member of the Risk Committee and Mayoral Performance Evaluation Panel.

Ms Yvonne Motsisi

Medscheme Holdings – Branding and Communications

Yvonne joined Medscheme in 1994 having achieved a degree in Industrial Relations and an MBA. As Corporate Service Executive, she was responsible for managing a portfolio of medical schemes before being promoted to Divisional Director of the Consulting Division. Active in a number of organisations which promote transformation within the healthcare industry, Yvonne is currently responsible for driving the Group branding and communications strategies as well as the implementation of socio-economic development and enterprise development strategies.

Mr Anthony Pedersen

Medscheme Holdings – MD International operations

Anthony is a qualified Chartered Accountant and began his career at Arthur Andersen before accepting a position as Internal Audit Manager at the Retail Apparel Group. A move to the Momentum Group followed as CFO first for the Medical Scheme Administrator company and thereafter for the Group Benefits company. In 2007 he moved to Mauritius where as General Manager of Momentum Health he was responsible for establishing the new insurance business. Currently he runs the international operations for Medscheme.

Mr Vijay Pillay

Helios – MD

Vijay achieved his BCom degree through UNISA and later studied toward his MBA before beginning his career at Spoornet. After a senior position in Nedcor's IT department he moved to First National Bank, where as Chief Information Officer, he was responsible for the full end-to-end IT solutions for the bank's Home Loans business unit. He also served as a member of FNB's Advisory Board.

In 2011, Vijay was recruited by Medscheme as the Group's Chief Information Officer ("CIO"). More recently he was appointed MD of Helios.

Mr Tim Rametse

Medscheme Holdings – MD AfroCentric Health Solutions

Having studied Labour Law and Tax at the University of Pretoria, Tim was employed in the Employee Benefits Department of the Public Service Commission. After moving to National Sorghum Breweries, he joined Pretoria Medical Brokers which was subsequently acquired by Thebe Investments, where he was rapidly promoted to Executive Director of the Healthcare division. He then moved to Polmed as the medical scheme's COO. Tim joined Medscheme in 2006 as General Manager in the Bonitas business unit and was later promoted to Deputy MD of Medscheme Health. In 2010 Tim assumed responsibility for Medscheme Africa, now known as AfroCentric Health Solutions.

Ms Yolandi van Zweel

Medscheme Holdings – Legal, Governance, Risk and Compliance ("LGRC")

Yolandi has an LLB degree from North-West University and diplomas in Project and Programme Management. She completed her articles at Strauss & Prozesky Attorneys where she then acted as a qualified, practicing attorney and continued to do so at her next appointment with Wessels & Associates Attorneys. She was then employed as a Legal Advisor for Corbase (Africa) in 2005. Yolandi joined Medscheme Holdings in 2007 as a Legal Advisor and successfully rose to her current role as General Manager of LGRC, as well as the acting Executive Director of LGRC for the AHL Group.

AFROCENTRIC GROUP

03

BUSINESS STRATEGY

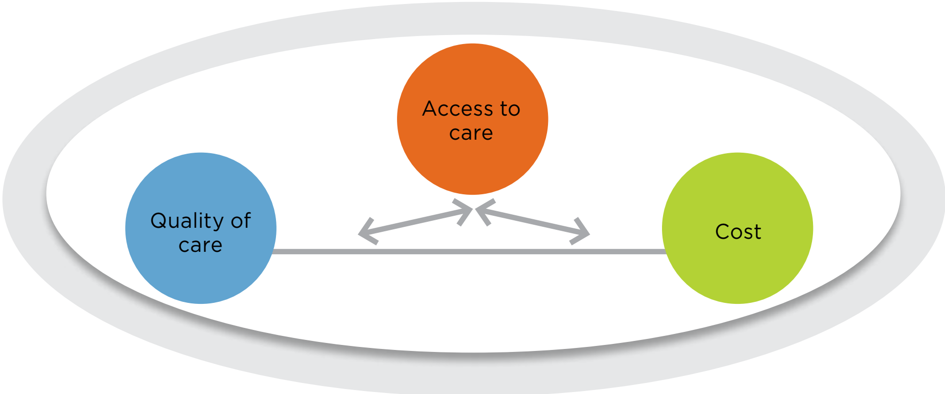
Our business strategy is aimed at redefining the management of healthcare risks and the delivery of service as marketable client offerings through the application of innovation and expertise whilst diversifying our revenue sources.

The Group's Business Strategy is defined at an AfroCentric Health ("AHL") level. The strategy provides the outputs to be delivered upon and AHL measures these outputs through various mechanisms. Medscheme forms the vast majority of the AHL stable and hence this report focuses on that entity.

Our key objectives and strategic outputs measured

1 Lowering the cost of healthcare delivery	Lowering the cost of healthcare delivery remains the cornerstone of achieving our vision of sustainable healthcare. The Group employs a combination of innovative healthcare risk management techniques, to lower the cost of healthcare delivery.

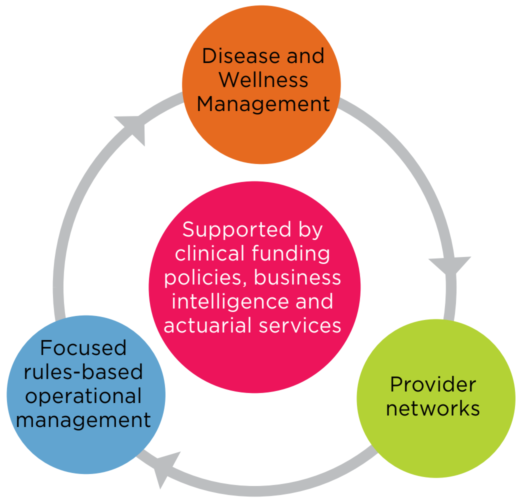
Managed Care is about balancing healthcare costs with quality and access.



Evolving Managed Care Strategy

Medscheme aims to continuously improve the medical inflation rate for its clients, while improving the quality of healthcare.

This is achieved through a balanced mix of focused rules-based programmes, disease and wellness management as well as provider networking.



The effectiveness of these interventions is consistently monitored and significant value can be demonstrated. A selection of building blocks are represented as follows:

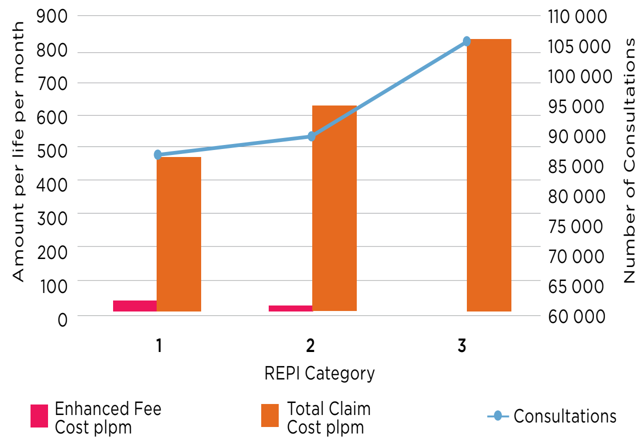
General Practitioner Network Model

This "pay for performance" model incentivises general practitioners ("GPs") to provide quality and cost effective care while allowing a process of 'peer management' to assist those who do not perform as well as their peers.

The effectiveness of this approach is demonstrated by the following graph.

Medscheme's Risk Equalised Performance Indicator ("REPI²") is an online general practitioner ("GP") profiling tool developed together with GP leaders and independent practitioner associations in South Africa. Contracted GPs are measured on both quality and cost indicators including downstream costs since general practitioners are considered as the primary co-ordinators of care.

REPI² assigns each GP to a performance category. Category 1 GPs perform better than their peers in terms of cost and quality criteria and are rewarded at a higher level of reimbursement. Category 3 GPs, on the other hand, perform less well relative to their peers and are reimbursed at the scheme rate and may be subject to a structured peer management process.



Disease and Wellness Management

Chronic diseases are important drivers of hospital admissions globally. Of these diseases, five to ten percent represent the highest risk, in terms of their likelihood, to be repeatedly admitted. Existing interventions typically happen after the event and do not improve outcomes such as patient understanding and compliance to treatment. The services these patients have access to are often fragmented and this results in less than optimal care.

This unique integrated beneficiary risk management approach provides a detail of the beneficiary's risk profile. Based on the beneficiary's risk profile, we guide the member through personal engagement, counselling, educational material and co-ordination with the healthcare provider. This is supported by intelligent questionnaires that identify beneficiaries who need more intensive support.

The end result is healthier members who understand their condition, comply with their treatment plan and access their medication timeously. This approach has on average produced a saving of 9% on scheme costs, a reduction of 4.1 % in the number of emergency visits, 3.4% in the number of hospital visits and an average of one-third of a day in the length of hospital stays.

03

2
Diversifying our revenue sources

The key focus of our strategy is to diversify our revenue outside of our core business in South Africa and into new markets beyond the borders of South Africa. The South African private healthcare market continues to consolidate; with 144 medical schemes in 2000 having shrunk to less than 90 in 2013. The future scope for growth in the South African private healthcare market is limited and Medscheme's focus is to utilise its core competencies as administrator, health risk manager and supplier of health IT systems; to expand into services outside of its core services, within and beyond the borders of South Africa.

Medscheme International has been successful in securing and renewing a number of healthcare administration contracts with the largest private healthcare provider in Ireland. In addition AXA PPP healthcare, one of the largest private medical insurance providers in the UK, has appointed our international operation, Medscheme International, as its health insurance, third-party administrator in five countries in southern Africa – (South Africa, Namibia, Botswana, Swaziland and Zimbabwe) as well as Mauritius. This relationship is of great strategic importance to Medscheme and has the potential to develop into a profitable partnership going forward. There is also the potential to expand the scope of the partnership to more regions in and outside of Africa in line with our strategy to diversify and expand globally.

Medscheme's Africa Division was recently renamed AfroCentric Health Solutions. The focus of AfroCentric Health Solutions, specifically on expanding our footprint into the rest of Africa, has also been successful in securing the IT contracts for First Mutual Link ("FML") Zimbabwe, the largest insurer in Zimbabwe as well as the contract for supplying an administration system to CIMAS, the largest open medical scheme in the country.

3
Optimising the current value we add through continuous improvement in everything we do

Medscheme's policy of continuous improvement is central to delivering value to our clients as well as our relentless drive for efficiency.

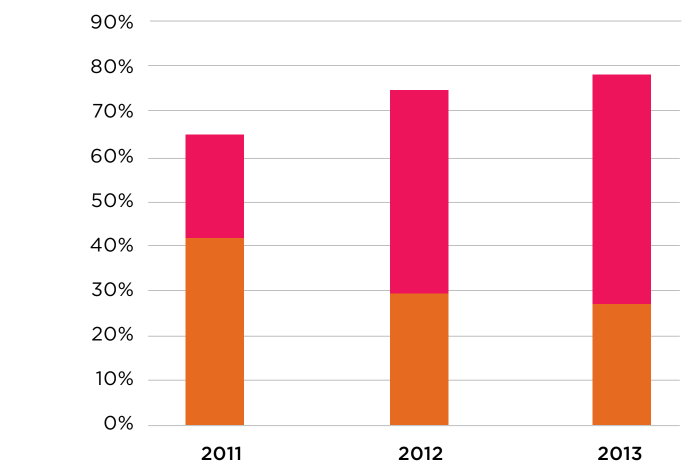
ISO 2008:9001 certification is a major component of this strategy and our recertification for a further three years reflects our commitment to this objective. PricewaterhouseCoopers conducted an ISO recertification audit in late 2012 and no critical non-conformance issues or remarks were raised. The Auditors specifically commented on the level of maturity of the quality management system and the audit function within that system.

This commitment to excellence is reflected in the marked improvement shown in the results of the ongoing 'Voice of the Customer' surveys conducted by Medscheme's Quality Assurance division. The improvement is clearly evident in the graph alongside, which compares the year-on-year results.

Bonitas Medical Fund and Fedhealth Medical Scheme, our two open scheme clients, have occupied first and second places in the medical schemes league on the Hello Peter website for the last 12 months.

The Company has also launched a long-term plan to improve the quality of communication with all our stakeholders through the adoption of a policy of clear, customer-friendly style of writing. The new approach has already been cascaded through the bulk of the automated communications. The necessary skills development and training initiatives are being implemented across the business.

Voice of the customer surveys



	2011	2012	2013
Excellent	23.23%	45.87%	52.00%
Good	42.27%	29.47%	26.67%

4
Maximising growth opportunities in South Africa

Medscheme has experienced positive growth in the number of lives under administration due to the rapid expansion of the Government Employees Medical Scheme ("GEMS") as government employees migrate from private medical schemes to GEMS. This was given added impetus by the amalgamation of the Pro-Sano Medical Scheme with Bonitas Medical Fund on 1 January 2013, which added 23 000 new families to Bonitas' membership base.

The consolidation taking place in the market through amalgamation presents an exciting opportunity for Medscheme and its South African clients to grow its market share, and we will continue to support our clients with the development and implementation of strategies that will position them to take advantage of this continuing trend.

The appointment of Executives in Business Development and Strategic Support reflect the Group's commitment to delivering on the Business Strategy.

5
Transforming our culture to enhance and optimise performance, learning and innovation

Medscheme continues to implement a range of initiatives to encourage employees to embrace a culture of performance, learning and innovation. The information regarding these initiatives can be found on page 60 of the Sustainability Report.

The successful execution of our strategy requires an innovative approach to healthcare risk management and the manner in which service is delivered to clients, brokers, healthcare providers and members. We maintain strong relationships with our clients and partner with them to develop and offer market-leading products and services to their customers to enhance competitive advantage.

Supporting NHI

AHL and the Group supports the implementation of NHI and aims to seek solutions to aid the rollout of a sustainable healthcare system. We fully support the National Strategy of the Department of Health and will continue to align our internal and external activities to enable the achievement of these goals.

We welcome the approach adopted by the National Department of Health to engage with the Private Sector. Medscheme is a major stakeholder in the Private Healthcare arena, and is thus ideally positioned to partner with Government and other key stakeholders in supporting the realisation of the stated objectives.

The Group foresees important roles for private funders in a NHI system, not only as funding intermediaries, but also through the provision of specialised expertise in strengthening the administration capabilities of the NHI and in the contracting of private practitioners in their practices.

It will take many years for Government to build up the infrastructure and resources required to effectively implement the NHI. Apart from the human resources, a key issue is the IT infrastructure. Administrators have, over the years, built up an impressive IT infrastructure that effortlessly processes payments and, more importantly, actively manages a large number of lives in terms of healthcare costs, quality and access.

For example, in Medscheme alone, we effectively manage the care of more than 3 million people. These resources and expertise in the private sector have been used successfully by GEMS to administer and manage their scheme and members. It provides a strategic opportunity for Government to draw on this experience for administering and managing the NHI.

Contracting private practitioners in their own practices to the NHI will dramatically improve access to healthcare, especially in the rural areas, for the following reasons:

- There are more GP practices in the country than clinics and community health centres.
- In certain rural areas geographical access to GPs is far better than to clinics.
- For an individual from the rural areas, the NHI will seem more tangible if she/he could go to the closest GP and not have to pay without having to travel long distances to get to a clinic.
- A number of administrators have established sound

relationships with GPs through networks and have developed tools that allow for clinical and quality outcomes to be assessed and monitored.

The expertise Medscheme has accumulated in setting up large country-wide networks and preferential agreements with hospitals, specialists, general practitioners, dentists, pharmacies, optometrists and major pathology groups can be used to assist the government in the NHI core infrastructure.

Our Group's vision is to create a sustainable healthcare system in line with the Minister and the National Department of Health's vision.

Aligning Corporate Social Investment ("CSI") with NHI

Currently large numbers of South Africans die prematurely and bear the brunt, unnecessarily, from poor health and conditions that are treatable or preventable. The impact on the economy is significant as many unemployed people are prevented from searching for employment as a result of ill health. The productivity of many lower income, but employed earners, is compromised. AfroCentric is fully committed to working with the Department of Health to create a sustainable healthcare system for South Africa and has committed resources for critical building blocks of an NHI system.

In November 2012, Medscheme became a signatory to the Social Compact Fund, which was initiated to provide momentum to key objectives of the National Department of Health's ten point plan. By doing so, Medscheme committed a significant portion of its Socio Economic Development budget to the Fund.

South Africa's critical shortage of nursing staff is one of the most urgent components of building a meaningful NHI system to be addressed and Medscheme has focused its Enterprise Development in this area. Please refer to pages 60 of the Sustainability – Corporate Social Investment section for details on the initiatives.

Impact on AfroCentric

The Green Paper costing model implied a partial shift over time from medical scheme coverage to NHI. Much depends on the NHI benefit design, the rate at which citizens gain trust in the system as well as the extent to which privately provided services are included.

The impact of the phased implementation of NHI on the Group is expected to be very gradual and at the lower income end of the market due to the affordability factor.

Participation in NHI will be a matter of choice for the individual healthcare provider. However, providers that choose to participate will need to meet certain requirements that will be prescribed under the NHI policy. These will include compliance with quality standards, provision of a package of services that will extend to prevention of diseases and promotion of health, acceptance of capitation as a method of payment instead of fee for service and appropriate pricing mechanisms.

The quality of public and private healthcare delivery in the NHI system will be ensured through three mechanisms:

1. Radical improvement in the quality of services in the public health facilities.

   This means massive investment in improvement of health infrastructure, both buildings and equipment.

2. Compliance with certain basic core standards in every health institution.

3. To ensure adherence to standards, an independent regulatory body, being the Office of Health Standards Compliance, will be established by an Act of Parliament. The Bill to establish the Office has already been approved by Cabinet, after a process of public comment, and it is ready to enter the Parliamentary process.

In partnership with Government and other key stakeholders, AfroCentric facilitates and supports the National Strategy via the following methods:

- Ensuring that AHL and Medscheme are recognised for its unequivocal support of the NHI, and is committed to supporting the effective implementation of the NHI
- To advocate that the white paper and subsequent legislation proposes a single funder, multiple payer system (or multiple administration system), and that medical schemes and administrators continue to manage and deliver the NHI basic benefit package on behalf of its clients.
- To promote Medscheme as a stakeholder that is required for the effective implementation of the NHI
- To position Medscheme through strategic partnerships to promote its capacity and proficiency in administering and managing medical funds
- To expand and diversify Medscheme's capacity and services to strategically position itself for opportunities resulting from the implementation of the NHI
- To gain support from clients through strategic analysis and proposals to promote Medscheme as the provider of choice
- To conduct analyses to advance Medscheme's and Government's vision of a sustainable health system

Key Activities and Progress

Interactions with key stakeholders to promote the business

Numerous meetings with key policy makers have been held and promotion of the Group's credentials have been well established.

Lowering the cost of healthcare

The Group interacts with the Competition Commissioner's office. The Competition Commissioner has announced an investigation into the costs of private health care. Medscheme welcomes this long awaited investigation, and will be participating in line with our objective of a sustainable health system.

Strategic partnerships

NHI Pilot Sites

Medscheme and Aid for Aids ("AfA") are participating in the NHI Pilot Task Team in the Tshwane area. The AfA programme will be utilised to pilot the contracting of GPs to manage HIV patients in the pilot district.

Social Compact Forum

Medscheme is actively participating in the Social Compact Forum, which constitutes the CEO' of the participating companies. The Forum is envisaged as a mechanism that will allow the private health sector to engage with and to strategically assist the Minister and National Department of Health with initiatives that:

- Will begin to address the challenges facing the health sector, to the collective benefit of the health of all South Africans
- To pursue shared goals and a sustainable future by ensuring higher levels of cooperation and collaborative action.

In addition the Forum will also have the following advantages:

- Knowledge-share from lessons learnt, to better position the private sector to confront current and future challenges
- Harness strong partnerships between the leadership in government and the private health sector
- Provide leadership in taking forward critical policy debates.

The Public Health Enhancement Fund

Medscheme is represented on the Public Health Enhancement Fund ("PHEF"), which is a fund established by participating companies in the Social Compact Forum. The PHEF will fund projects identified by government that will promote its strategic priorities. Thus far the PHEF is contributing to the funding of additional medical students, and PhD students, as well as an Academy for Health Leadership and Development.

Support to clients via seminars and information sessions

An extremely successful critical thinking forum was hosted by Medscheme in partnership with the Mail and Guardian Centre of Journalism. The Forum was addressed by Minister Motsoaledi and Mr Andre Meyer (Medscheme CEO). Following this forum meeting, the Mail and Guardian had a series of articles on the NHI, which positioned AHL and Medscheme as thought leaders in the healthcare industry.

Strategic Relations

The Group has a dedicated Strategic Relations specialist who is responsible for establishing strategic relationships and partnerships with both the public and private health sectors in order to facilitate the Group's positioning within the health sector as an effective administrator and manager of health care.

03

Innovation

The successful execution of this strategy demands a strong emphasis on innovation across the business as well as the leveraging of the extensive expertise inherent within our team.

One of our subsidiaries, Medscheme, always prides itself on its ability to develop innovative customer-facing and back-end solutions as well as its focus on the continuous improvement of its existing processes and systems. The organisation has developed numerous world-first breakthrough solutions in both administration and managed healthcare.

It is acknowledged that Medscheme employees are the driving force behind innovation and improvement in the business. In order to formalise this mindset and internal value system of innovation, the groundbreaking SwitchLab programme was created in 2010 to bring this value to life and to create an engagement portal through which the employees and life blood of the organisation, could submit their ideas, which would assist the business to flourish even further.

Although there are a myriad of definitions for the term 'Innovation', Medscheme has defined Innovation as "A good idea that is defined and validated and, through appropriate implementation and adoption, it generates value." The value generated needs to be in the form of cost savings, enhanced revenue streams or positive improvements for employees, users, clients, beneficiaries, business units and the organisation as a whole.

Using an incentive-driven employee engagement model, the SwitchLab programme promises significant cash rewards to employees in exchange for the submission of innovative ideas. It is still relatively early in the testing cycle and there are some very good ideas, generated though the SwitchLab programme, being tested in the business currently.

The business has derived strong value from the SwitchLab programme and the submissions received have exceeded all expectations. As expected, the majority of the ideas submitted focused on process and system improvements and very few have the potential to generate significant financial rewards. Going forward, employees will be encouraged to submit more ideas as teams and ideas will be rewarded for their merit, as well as the quality of the submission in terms of effort, detail and research.

Like the Medscheme business and the submissions from its employees it's also time for the SwitchLab programme, itself, to innovate. A revised rewards and adjudication methodology has been created; a creative and communications overhaul of the programme has been planned.

During the year, a General Manager was employed to focus and develop the innovation initiatives within the business.

Innovation
Into the future

Further improving the member experience

OPERATIONAL REVIEW AFROCENTRIC HEALTH

03

AFROCENTRIC
HEALTH

The Group has continued with its array of brands strategy characterised by a series of companies with their own brands operating under an umbrella brand, namely AHL.

Each company is an independent unit with its own MD who is responsible for the performance and operations of that business.

The Group's vision of "Creating a World of Sustainable Healthcare" is the core focus of each company by delivering sustainable healthcare solutions within their respective mediums.

The business structure of AHL is available on page 6 and 7 of the Group Profile section of this report.

Continued growth within South Africa and further expansion into Africa and internationally is the core focus for AHL and its subsidiaries for the foreseeable future.

AHL achieved an increase in revenue of 22% compared to the prior year with revenue for the year totalling R1.8 billion (2012: R1.5 billion).

The Segmental Information is available on page 151 of the Annual Financial Statements, page 115.

03

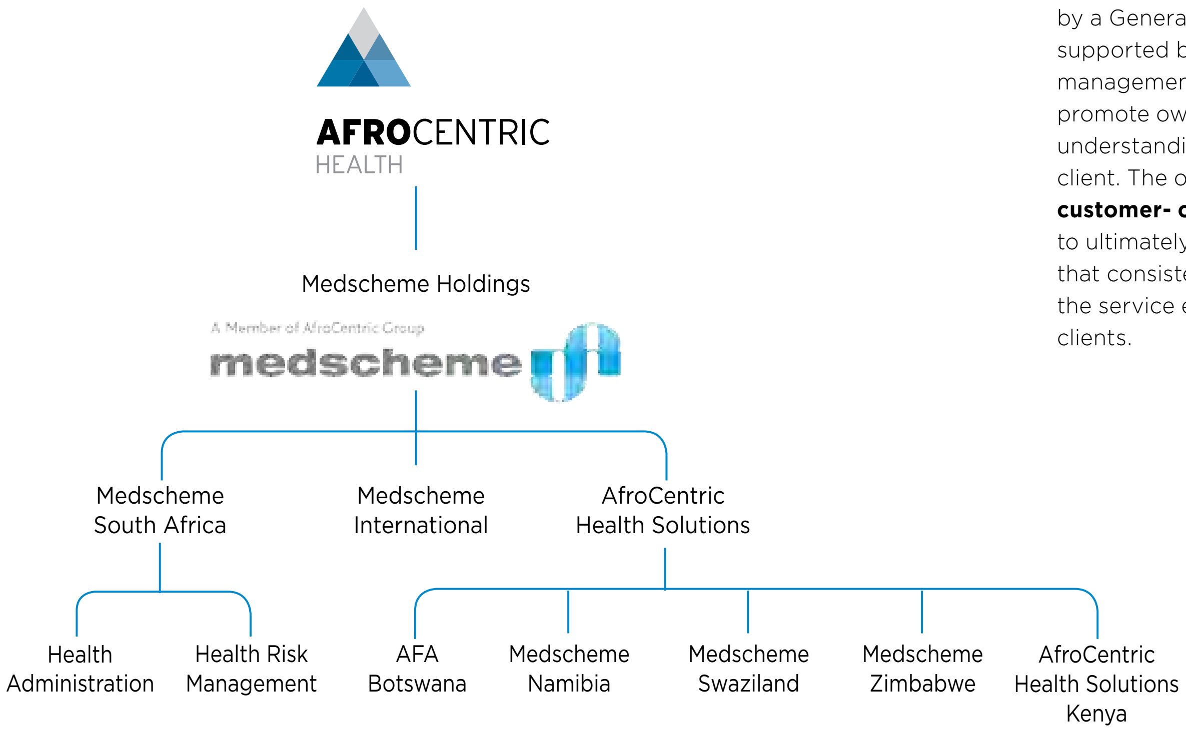
OPERATIONAL REVIEW MEDSCHEME

Andre Meyer
Medscheme Holdings - CEO

A Member of AfroCentric Group
medscheme

Medscheme was founded in March 1971 as an innovative specialist medical scheme administrator focusing on the corporate medical scheme market. This was an industry first for South Africa. Over the ensuing 42 years, the Company has become the largest health risk management and health administration provider in Southern Africa.

The business operates within 3 separate silos:



Medscheme South Africa

Kevin Aron
Medscheme Holdings - MD South Africa operations

Overview of the business

Health Administration

Medscheme's Health Administration division delivers comprehensive, integrated services and recognise that flexibility and differentiation are crucial to remain competitive.

The focus of the division is the customer. Customers are placed at centre stage within the business. Decisions are guided by what is best for the customer and whether a course of action is aligned to the objective of delivering the ultimate customer experience.

This is reflected in the structure of the business, which features dedicated teams. Each team is managed by a General Manager, supported by a senior management structure, to promote ownership and understanding of each client. The objective in this **customer- centric model** is to ultimately deliver service that consistently exceeds the service expectations of clients.

03

OUR OPERATIONS

Quality
Continuous focus on standards and evaluating customer facing areas

Assessing
Consolidated National Assessing

Provider Call Centre
Dedicated Call Centre that handles all provider queries

Business Applications Information and Support and User Acceptance Testing

Legal, Risk and Compliance
Forensic Investigation Department

DEDICATED HEALTH ADMINISTRATION BUSINESS UNITS

- Call Centre
- Back Office
- Scheme Finance and contribution collection
- Client liaison officers
- Fund management

Operational effectiveness is complemented by a fully integrated operational structure and largely paperless operational environment where more than 95% of claims received are processed electronically, without any human intervention.

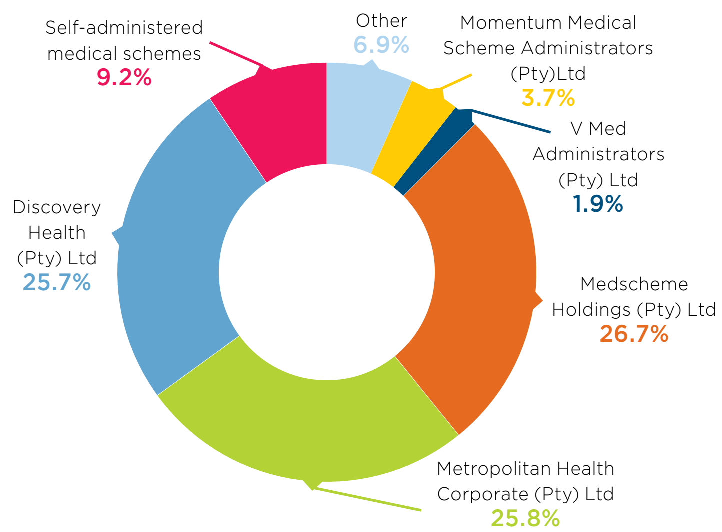
Excellence is achieved through a policy of continuous improvement. This approach involves constant monitoring of systems, processes, customer touch points, products and regulatory requirements. There are ongoing Voice of the Customer surveys, and ISO 9001:2008 certification.

Health Risk Management

Medscheme's Health Risk Management division provides health risk management services to both private and public sector medical schemes and is generally considered the benchmark service provider in Southern Africa.

The division has a progressive approach based on a balanced mix of 'rules-based' and supportive patient care coordination programmes. This model depends on evidence-based funding policies, actuarial services and complex data management, modelling and profiling.

Administration and Health Risk Management Market Share 2012



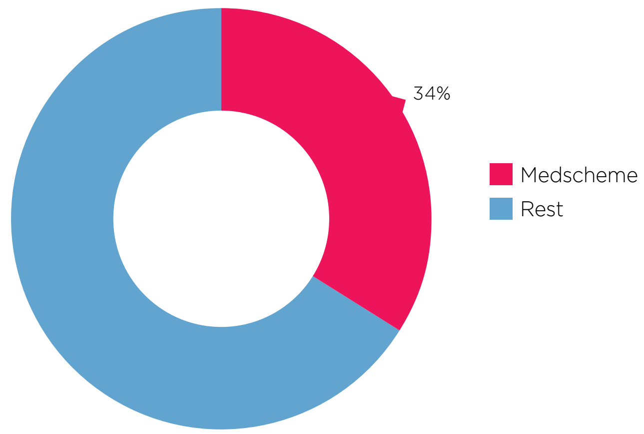
GEMS

Administration
GEMS contracted Metropolitan as administrator from the scheme's inception in 2006. GEMS however decided to subdivide the administration function into four contracts from 2012 and Medscheme secured two of these.

Health Risk Management
Medscheme has been the main health risk management provider to GEMS since inception.

Medscheme Overall Market Share

Medscheme's overall market share reflects the number of beneficiaries in the medical schemes industry that benefits from both Medscheme's administration as well as health risk management services.

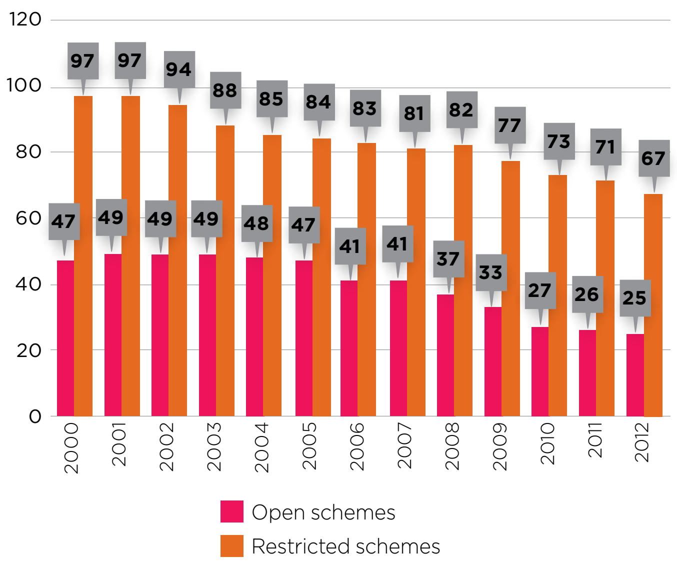


03

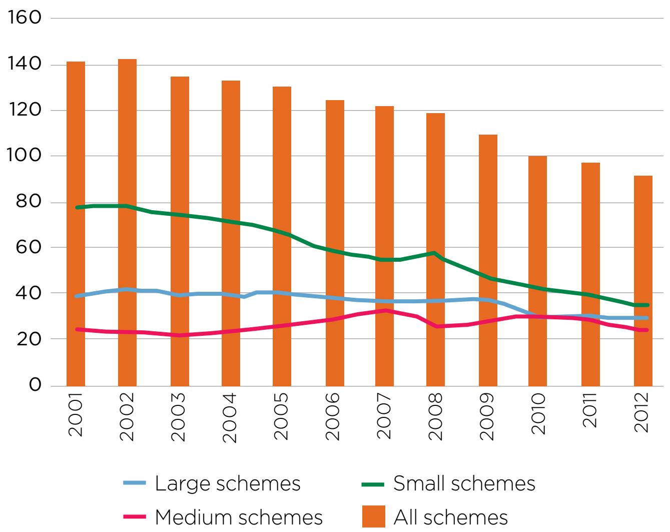
OPERATIONAL REVIEW MEDSCHEME

Market Consolidation – number of schemes

Number of schemes 2000-2011



Number of schemes by size 2001-2011



Sustainability in healthcare involves the medical scheme, the patient and the healthcare provider. Medscheme has established large general practitioner and specialist networks in South Africa.

Performance

Currently, Medscheme has 3.4 million lives under management, which represents a market share of 35% of the private medical scheme market.

Our client base of 24 medical schemes includes the largest closed scheme in South Africa, the Government Employees Medical Scheme ("GEMS"). The second largest open scheme, Bonitas Medical Fund and closed medical schemes for many of the country's leading corporates, which include AECI, Barloworld, BMW, Mercedes-Benz, Old Mutual, Nedgroup, SABC, Sasol, Xstrata and the University of the Witwatersrand.

One of the principal challenges facing governments worldwide is their finite capacity to provide affordable, quality healthcare to their people. Our vision is our response to this challenge. Our focus is therefore to apply our expertise and ability to innovate to achieve sustainability through progressive health risk management, ethical management of healthcare costs and an uncompromising drive for improved operational efficiency.

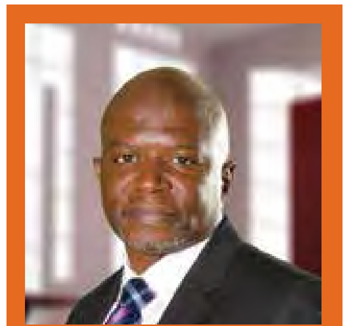
Strategy and outcomes

An important focus of our strategy is to diversify our revenue outside of our core business in South Africa and into new markets beyond the borders of South Africa. The South African private healthcare market continues to consolidate with 144 medical schemes in 2000 having reduced to less than 90 in 2013. The future scope for growth in the South African private healthcare market is limited and Medscheme Holdings' intention is to utilise its core competencies as administrator, health risk manager and supplier of health IT systems; to expand into services within and beyond the borders of South Africa.

The successful execution of our strategy requires an innovative approach to healthcare risk management and the manner in which service is delivered to clients, brokers, healthcare providers and members. We forge strong relationships with our clients and partner with them to develop and offer market-leading products and services.

In addition, Medscheme is diversifying revenue sources derived from South Africa, Africa as well as internationally.

AfroCentric Health Solutions



Tim Rametse

MD – AfroCentric Health Solutions

During the year, the Medscheme Africa division was rebranded to AfroCentric Health Solutions.

Overview of the business

The Division consists of several non-South African businesses across Southern Africa and recently in East Africa. These businesses have their own separate Board of Directors and, where we hold a majority stake and control management, Medscheme holds the position of the Chairperson. The businesses where we hold majority stakes have dedicated management teams reporting to Medscheme and functions in accordance with Group principles and practices while taking into account local regulation and unique customer requirements. Businesses where we hold minority stake are treated as associates.

AfroCentric Health Solutions has operational presence in the following countries:

Medscheme Swaziland – 100%

Health Administration
Health Risk Management

Medscheme Namibia – 76%

Health Administration
Health Risk Management
Third Party Outsourcing

Medscheme Zimbabwe – 51%

Health Administration
Heath Risk Management

AFA Botswana – 25%

Health Administration
Heath Risk Management

AfroCentric Health Solutions (Kenya) – 26%

Health Insurance

Performance

AfroCentric Health Solutions is the largest health administration and health risk management player by membership and revenue in Swaziland and the second largest in Namibia and Botswana.

The Zimbabwean business, like the rest of the financial services industry there, has been impacted by the economic downturn.

New expansion into Kenya has been achieved.

Albeit from a low base, we have increased membership two-fold over the last 12 months.

Strategy and outcomes

In view of the saturated market in South Africa and the over-regulation that prohibits vertical integration of health services, AfroCentric Health Solutions has embarked on a focused approach to increase Group revenue from outside South Africa's borders. This objective will be achieved through four key drivers:

- Sustaining and growing revenue within the existing client base (Southern Africa)
- Diversifying revenue outside the current client base in current markets of operation (Southern Africa)
- Diversifying revenue streams from new markets within the continent
- Establishing regional partnership networks in West, East and North Africa

OPERATIONAL REVIEW MEDSCHEME

03

AfroCentric Health Solutions, which focuses specifically on expanding Medscheme's footprint into the rest of Africa, has also been successful in securing the IT contract for First Mutual Life, the second largest life insurer in Zimbabwe as well as the contract for supplying a medical scheme administration system to CIMAS, one of the largest medical schemes in the country.

Secured Acquisition of a health insurance business in Kenya

Alexander Forbes Kenya operated as a risk taking health insurer in Kenya with an established policy holder base of over five years. Equity in this business positions Medscheme to establish a presence in East Africa together with an established and experienced partner. Medscheme will be increasing shareholding to acquire a majority equity interest within a period agreed with the vendor. We support this business through our technical and operational expertise as well as systems to position itself as the leading provider in the region.

Increased membership in Zimbabwe

The positive turnaround of Zimbabwe's economy as a result of political stability has resulted in most employers re-employing, increasing work office and resuming trade after closure a few years ago. Our focused marketing and sales efforts took advantage of this upswing in the market. The business reputation and unique service model supported the exponential growth experienced over the last twelve months.

Medscheme Zimbabwe recorded profits for the first time since the country's economic meltdown.

Medscheme Namibia

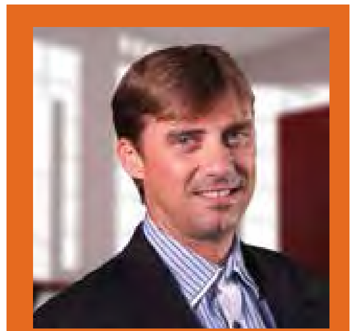
Medscheme Namibia won the PMR award for best administrator in Namibia for the third consecutive year.

Consistent positive customer service surveys by third parties have demonstrated the quality of service rendered by this business. The Namibian healthcare market considers this business as a trendsetter from an innovation perspective.

Projects in the pipeline:

- Acquisition of a major health player in the region
- Introduction of a healthcare virtual integration model in Southern Africa
- Business Process Outsourcing prospects in Nigeria, Kenya and Ghana
- Focus on Quality Assurance across existing businesses
- Improvement of people's practices

Medscheme International



Anthony Pedersen

MD – Medscheme International operations

Overview of the business

Revenue diversification and growth outside the borders of South Africa remains a strategic objective of the Group. In addition to growth opportunities on the African continent, a wider international strategy has been initiated with a dedicated business unit and management team exploring opportunities in specific territories including Europe, UK, South East Asia, Australasia and the Middle East.

Medscheme International currently provides business process outsourcing ("BPO") services to clients from our state-of-the-art facility in Mauritius where we have been able to deliver high quality, cost effective solutions to clients.

Performance

Whilst the revenue generated currently represents a small portion of the Group revenue, we anticipate international operations representing an increasing proportion of Group revenue in the medium term.

The international operation has contributed positively to earnings in the current year achieving an acceptable margin relative to its size.

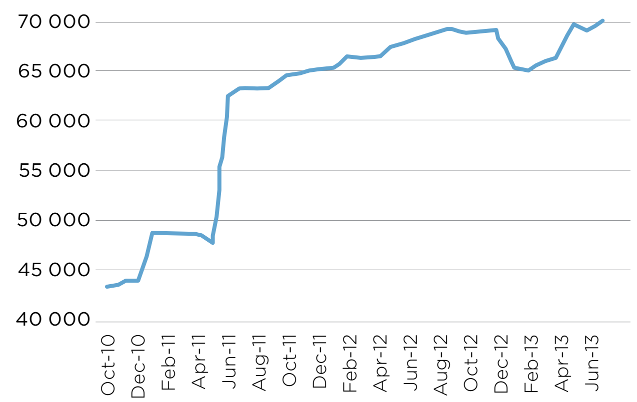
The cost effective solutions we provide clients has resulted in the scope of existing contracts being increased over the past year.

Medscheme International has again achieved ISO9001:2008 certification during the current year. The business is also in the process of developing an Information Security Management System ("ISMS") and will apply for ISO27001 certification early in the new financial year. These accreditations provide our clients with assurance regarding quality, consistency and security in the conduct of the processes outsourced to us.

Medscheme International, based in Mauritius, has secured the contract for administration and coding with VHI, the largest private healthcare organisation in the Republic of Ireland while AXA PPP healthcare, one of the largest private medical insurance providers in the UK, has appointed our international operation, Medscheme International as its health insurance, third-party administrator in five countries in Southern Africa.

A meaningful client portfolio, representing approximately 38% of the Mauritian market has also been established.

Membership Growth – Mauritius



03

The Medscheme market share in Mauritius has increased by over 10% in the last 2 years.

Strategy and outcomes

In-roads have been made in positioning select health risk management and technology solutions currently offered by Medscheme to South African clients, as "marketable client offerings" appropriate for international clients. An example of this is the AXA PPP appointment where we have offered our South African provider network, our hospital utilisation management system and claims processing capabilities, all of which have been operationalised from Mauritius.

A structured approach to identify acquisition opportunities in international markets has been developed, and investment in researching these markets and opportunities has been incurred during the year. The investment has yielded positive results with two further international acquisitions under consideration.

Medscheme has established a marketing and distribution company in Mauritius and is in the process of obtaining accreditation from the Regulator. Membership growth in the Mauritian market as a result of this initiative has been encouraging.

Medscheme Achievements and accolades

Thinkmoney awards

Our clients consistently feature in the annual Thinkmoney.co.za subscribers' survey. One of our clients has been **voted top performer across all four categories** in customer service achievements:

- Best Overall
- Best for Service
- Best Payouts
- Best for Cover

HelloPeter awards

HelloPeter.com is a respected website that provides an independent rating on the quality of service delivery across a number of industry sectors – including medical aids. One of our clients has occupied the top position in the league for medical aids for 12 months achieving the highest compliments and lowest complaints ratios. Another of our clients has occupied second place for the major part of the same 12-month period.

Ask Afrika Orange Index Survey

Ask Afrika holds an annual survey across all industries to determine the "service heroes" in each sector. In terms of customer service achievements, Medscheme's clients were presented with the awards in the medical aid category in 2008, 2011 and 2013.

PMR.africa awards

For two consecutive years, Medscheme has received PMR.africa's top awards for excellence in medical aid administration, health risk management and disease management. In 2011, AfA achieved the Diamond Arrow Award in the Specialist Service – Disease Management: HIV/Aids category. AfA has consistently achieved the top award in this category since 2006.

The Namibian Health Plan ("NHP") - administered by Medscheme's Namibian team - has been presented with PMR.africa's Diamond Arrow Award for Excellence for three consecutive years.

IRMSA awards

Medscheme is a member of the Institute of Risk Management South Africa ("IRMSA"), which promotes best practice in risk management within the corporate sector. In 2013, Medscheme was presented with IRMSA's top award in the healthcare category, for the third consecutive year.

Why Medscheme?

Experienced staff and industry expertise built over 42 years of existence

Client and member centric Business Model focusing on the administration of Closed and Open Schemes

Highest Priority given to quality of process with the entire administration business ISO5001:2008 accredited

Independent Surveys have demonstrated Medscheme's exceptional service record

Results published in July 2012

Think Money Survey results released in September 2012 revealed that two of three schemes were administered by Medscheme

PWC Survey: Two of the top three schemes were again schemes that were administered by Medscheme

Strong focus on internal Audit and Governance with all findings presented to the Audit Committees

IT Infrastructure able to handle volume and complexity

Transparent review of the system controls – ISAE 3402 independent audit

Integrated approach combining health administration with health risk management

Largest Black owned health administrator and a level 2 B-BBEE

AFROCENTRIC GROUP

OPERATIONAL REVIEW HELIOS & ALLEGRA

During the prior financial year, Helios was established as an independent, separately branded company from Medscheme.

Vijay Pillay
Helios – MD

"From a Medscheme Namibia perspective we have been using the Nexus system for nearly 4 years. During this time we have increased our efficiencies through the functionality that it provides. It was also core to NHP being rated the best medical aid fund in Namibia for three consecutive years"

Tiaan Serfontein
Managing Director
Medscheme Namibia

Overview of the business

Helios provides ICT solutions and services to Medscheme and its partner medical schemes in the areas of administration and health risk management. We also licence our systems to other partners outside of the Medscheme fold and pursue a diversified model for revenue generation. Helios boasts a leading edge technology platform together with transactional systems which rank amongst the best in the world, which include hosting, switching, administration, health risk management and clinical applications. The systems are robust and scaleable and supported by highly skilled, passionate ICT staff that form the cornerstone of its business success. Helios leverages off economies of scale to provide cost effective, quality and reliable services and continuously strives to provide optimum and sustainable results for its stakeholders. Helios provides the Nexus and UMS systems, as well as network support and website hosting, for the Group and external clients.

Helios holds a 51% shareholding in healthcare software specialist Allegra.

Performance

Focusing on growth and diversified revenue, we have expanded our customer base and continue to grow our footprint as an ICT and solutions provider. Helios ITS has supported the expansion of our strategic partners whose membership has virtually doubled in the period under review.

In partnership with Medscheme Holdings, we have successfully finalised software licensing contracts with First Mutual Life and CIMAS medical schemes in Zimbabwe and are currently reaping the benefits from this venture.

Helios ITS will function as a transformation agent as follows:

ICT Role

Orientation			
Outward (to business)	**Business Partner** Joint developer of business operations plans	**Business Leader** Participant (or leader) in business strategy and planning
Inward (to IT)	**Service Provider** Supplier of technology services in support of business operations	**IT Entrepreneur** Delivers revenue through innovative technology and technology services
	Fast Follower	Leading Edge

Leadership/Innovation

Business Leader

- IT is a strategic asset essential to driving growth and profitability. IT is viewed (and funded) as a competitive differentiator.

Business Partner

- IT is essential to achieving business operational objectives. IT is focussed on leveraging technology to explicitly support the business units in achieving plans.

Service Provider

- IT is essential to efficient, cost-effective business operations. IT is focussed on efficient technology deployment and use in the business, with a primary emphasis on performance and cost.

IT Entrepreneur

- IT is a revenue generator or a profit centre for the Company, offering IT products and services to the market. IT is focussed on competitive positioning and performance against the IT products and services marketplace.

Helios has provided a healthcare and managed healthcare system to Medscheme for in excess of 15 years, both as an independent company in the AfroCentric Group and prior to that, effectively as the IT department of Medscheme.

The Nexus system is currently being used to provide ICT services which enable Medscheme to provide administration and health risk management services to 17 schemes in South Africa, consisting of both Corporate and Open Market schemes. The total membership of these 17 schemes is in excess of 1.2 million principal members. The architecture of the system allows for scheme data to be ring-fenced per scheme, without compromising member data privacy.

With an overall uptime of 99.9%, Helios has proven over the years that the Nexus system is both robust and flexible enough to meet a variety of clients' system requirements. Catering for various benefit designs and tariff pricing options per scheme, it affords Medscheme the ability to provide each client with a tailor-made solution.

Helios' relationship with Medscheme has been characterised by openness, transparency and a genuine sense of partnership. Helios' executive has proven supportive of Medscheme initiatives and has provided the administrator with easy access to Helios staff and management. Helios staff members have proven to be passionate and skilled at what they do.

Kevin Aron
MD: Medscheme South Africa

03

Strategy Framework

Vision	We are the ICT Supplier of **Choice** for our Strategic Partners
Mission	We consistently provide **sustainable** and **innovative** technology solutions of the highest **quality**, thus enabling our clients to realise their strategic objectives
Strategy Objectives	Build a Robust and Scaleable, Future IT Enterprise; Ensure 100% Uptime of Critical Systems; Employ Best Practice IT Governance and Controls Framework; Customer Centricity; Sustainable Revenue Growth; Operational Excellence; Attract, Develop and retain IT Skills; Innovative Solutions
Helios Values	Innovation; Integrity; Mutual Respect; Empowerment; Accountability

Medshield Medical Scheme has been using the Nexus system since March 2009 and has found the system caters for our requirements.

The Nexus system has proven to be reliable, consistent and adaptable to our needs and requirements.

Our operational capacity has improved since inception of the system and we have proven that our proficiencies have gone from strength to strength.

We promote and support the use of the Nexus system within any environment.

Richard Peacock
Executive Operations
Medshield

Software development Achievements

The software development department has successfully implemented 23 major projects.

The Bonitas/ProSano amalgamation

This significant project went live in January 2013 whereby data was brought in from 3 different entities into Bonitas/Nexus environment.

Circular 38 project

During September 2011, the Council for Medical Schemes ("CMS"), the regulator of South African registered medical schemes, issued Circular 38 of 2011 and later issued clarification Circular 5 of 2012 during February 2012. All South African medical schemes which have savings options must adhere to the requirements of these Circulars and the project encompassed all development needed to ensure full compliance to the above which went live in January 2013.

Gems translation project

Development on Nexus and UMS to enable correspondence to be sent out in the 11 official languages.

Mobile software applications

Fedhealth – In March 2013, we launched the Fedhealth iPad and iPhone member applications in the iStore. Within the first 5 days, 1300 applications were downloaded.

The Android application for members – The application is currently available for members and brokers.

Broker application – An application is currently being developed to enable brokers to deliver an improved service to their member base.

Adaptive Site

Helios provides a self-service functionality via the website to all our members, providers, intermediaries and employers. The website is being reconfigured to make the website completely adaptive. Development is being done on current website technology that enables the site to detect the type of device and resize accordingly. This means that it displays certain information based on the size of the user's screen which in turn in improves the user experience.

"Nexus in a Box"

By far the most extraordinary achievement during this period was the creation of "Nexus in a Box". This means that Nexus can now be sold and installed at other sites. Being able to sell a portable system was one of the key objectives of the last year and we are pleased to announce that this key milestone was achieved in record time.

Continuous improvement – System Integration Testing Department

Rigorous testing has always been part of our System Development Life Cycle but a renewed focus has been placed during the twelve months on creating a fully-fledged separate department for this specific purpose. Our SIT department has been created and we are extremely proud of this department whose aim is to plan and prepare specific test scenarios and mechanisms. Not only do our testers perform tests to ensure that the functional requirements of the client have been met, but also performs regression testing to ensure that other functionality has not been negatively affected in any way when new changes are deployed into production.

Strategy and outcomes

The market conditions are currently, and will continue to be, challenging in terms of organic growth, however we believe that while schemes consolidate, it provides us with an opportunity to market our solutions to enable and lead these growth points. Innovation and service excellence will be key differentiators to leverage growth for Helios and its strategic partners. We believe that through our world-class solutions, we form a pivotal role in transforming our partner organisations to achieve their strategic objectives.

Paramount Healthcare & Employee Benefits Consulting (Pty) Ltd as Administrator of the NAMMED Medical Aid Fund migrated to the Nexus/UMS platform from 1 January 2009;

The migration process was challenging, however, due to the support received from Helios / Medscheme SA, this process was completed very effectively;

During the past four and a half years we received outstanding support from the IT staff responsible for the platform;

Down times on the platform were kept to an absolute minimum, which contributed to the effective administration of the Fund;

In our opinion the monthly fees payable for hiring the platform is very reasonable compared to other platforms;

The Nexus/UMS platforms provides state-of-the-art capabilities which complements reporting to Board of Trustees, Auditors, Actuaries and the Regulator;

These platforms also provide a very effective communication module to Members and Healthcare Professionals;

Last but not least, I have to again mention the tremendous support and expertise of the Helios/Medscheme SA IT team. Problems are attended to immediately, all requests in terms of platform developments have been accommodated and the team has in general just been very accommodating and helpful.

Karl Weyhe
General Manager
Paramount Healthcare and Employee Benefits

OPERATIONAL REVIEW AID FOR AIDS

03

Overview of the business

Aid for Aids Management ("AfA") designs, develops and delivers unique and encompassing programmes that help businesses care for and medical schemes manage individuals living with HIV/AIDS. Furthermore, it also plays a role in collaborating with government led task teams and forums in terms of challenging the epidemic, thereby extending its services to the public sector. AfA also provides HIV management services to several countries in the SADC region.

During the period under review, AfA was transferred into a separate business entity and is now a stand-alone business within AHL.

Performance

Membership increase

Since its inception in 1998, AfA has registered and managed more than 210 000 patients on its programme, resulting in the largest sector HIV disease management database. The pie chart below demonstrates the number of beneficiaries per client category, a total of 47 431 beneficiaries.

AfA currently has 41 clients; these include 18 Medical Aid Schemes, 15 corporates, 7 international and a public sector programme.

Process improvements

Operational processes are continuously reviewed to enhance the quality and efficiency of service delivery as well as improved customer experience. The following were realised as a result:

- the automation of processes have resulted a reduction in the turnaround times for processing of application forms to less than 48 hours, from 5 days
- as a result of establishing a pathology management unit, an increase in the percentage of pathology results collected was observed (from less than 50% to above 80%). The unit follows up with patients, healthcare providers and the pathology laboratories to facilitate the submission of expected results to aid in the monitoring of patients registered on the programme
- the Disease Management System ("DMS") was configured to perform clinical electronic adjudication of pathology results which facilitates a quick response to cases where intervention is due
- the registration progress was simplified to encourage early registration. Members diagnosed through the HCT campaigns are encouraged to register at the point of diagnosis to reduce the number of those lost to follow up; and
- electronic risk stratification, enabling the categorisation of patients according to their risk status. This ensures that patients who need close monitoring are identified early and managed accordingly.

Clinical outcomes improvements

Clinical outcomes are best measured by the extent to which viral load ("VL") results are submitted and the percentage of patients who have suppressed their viral load. Overall, 87% of AfA patients submitted VL results during 2012 of which 85% were below detection.

The AfA clinical outcomes match the 'benchmark' set by a large community-based HIV treatment programme and exceed the target of the National Strategic Plan for HIV/AIDS (the target of 80% VL suppression after one year on treatment).

Strategy and outcomes

The business has recognised the following strategic objectives:

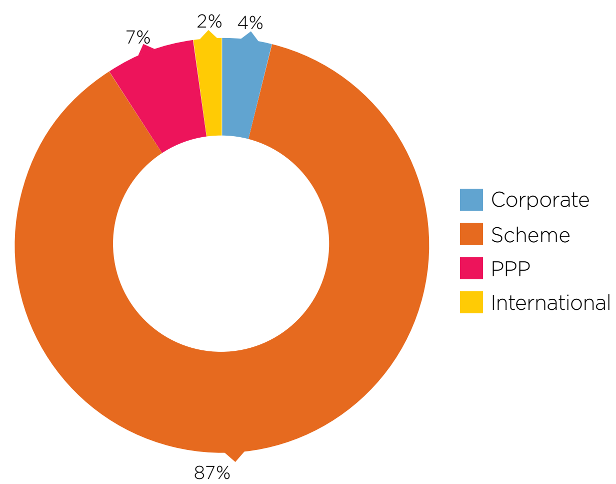
- Enhance Branding and Corporate Image
- Increase revenue and Improve Headline Earnings
- Staff development and empowerment
- Product improvements and Innovation

AfA is continuously looking to strengthen its service offering to optimise care and enrolment for current clients, so as to mitigate the financial and clinical risk associated with HIV and AIDS.

The Company has decided to invest time and resources to consolidate the offering to Corporates in respect of supporting the roll out of HIV/AIDS strategies and work place policies.

AfA will also be exploring the expansion of the model from the experience we have gathered in delivering the service to the public sector in our partnership with BroadReach Healthcare in the North-West Province over the past years.

Distribution of beneficiaries registered on AfA



OPERATIONAL REVIEW JASCO & RIO TINTO

03

AfroCentric holds a 27.3% minority interest in Jasco Electronics Holdings Limited ("Jasco").

Jasco is listed on the JSE and provides solutions, services and products to customers through three core divisions namely Information and Communication Technologies ("ICT"), Industry Solutions ("Industry") and Energy Solutions ("Energy").

This associate business diversifies the AfroCentric Technology area of the Group's interests.

Overview of the business

The Jasco Group is a provider of true end-to-end converged solutions across three interlinked sectors: ICT, Industry and Energy. Jasco delivers systems, solutions and integration across the entire value chain, offering a seamless link between areas that in the past have been separated by technology.

As a South African-based, managed and owned company, Jasco has extensive experience in sub-Saharan Africa with a special focus on the Southern African Development Community ("SADC") region. Leveraging synergies and through both organic and inorganic growth, Jasco continues to diversify their offering and bolster existing products, divisions and brands. Their vision is to become the leader in innovative converged and integrated solutions. In today's world this means not only offering traditional IT and telecommunications solutions, but also energy and industry solutions.

Jasco delivers innovative solutions that span the three industry sectors of ICT, Industry and Energy that incorporates an intelligent, comprehensive offering for the smart enterprise.

Performance

During the current financial year the investment yielded a loss from the associate of R30 million (2012: R6 million profit).

Jasco's results for the year show an increase in revenues of 16%, compared to prior year, mainly due to increased market share but yielded a net loss before tax of R114 million.

Please refer to the CFO report and Financial Results at a Glance for further details on Jasco's performance.

RioTinto

Rio Tinto is a world leader in locating, mining and processing the earth's mineral resources.

AfroCentric's exploration and prospecting relationship with Rio Tinto continues in terms of the Relationship and Strategic Cooperation Agreement ("RSCA"). During the course of the year the Company entered into a contract in terms of the RSCA for a significant minority interest in a new iron ore exploration joint venture. The land rights and prospecting terms remain to be finally approved by the DMR.

OUR COMMITMENT

"Before joining Bonitas I compared six of the best medical aids this country has to offer. I'm glad to have made the decision to join Bonitas. I really received great value for money. Thank you for this excellent service."

Bonitas member

"This is to express my genuine appreciation for the swift and efficient way that you dealt with my request. I commend you and I am proud to be a recipient of such an excellent service. Keep up the good work."

Parmed Member

"I would like to send a heartfelt thank you for providing real medical cover... it inspires hope for service delivery, and caring when it matters most."

Fedhealth member

"Thank you very much for your prompt assistance. You deserve a gold star."

OMSMAF member

"Thank you for being there in my time of need. I am deeply grateful that you looked after us. We really appreciate your ongoing support."

AECI Member

SUSTAINABILITY REPORT

04

In accordance with King III and the JSE Listings Requirements, the Group has included sustainability reporting in the Integrated Annual Report for the period under review.

This document reports on key areas of sustainability for the Group but should be read in conjunction with the Operational Reviews, Financial Results, Governance Report, Remuneration Report and the Risk Committee and Risk Management Report as these documents all form part of the sustainability framework within the Group and reflect our commitment to Sustainability Reporting and the development of improved processes towards sustainability and the measurement thereof.

This sustainability report has been produced at an AfroCentric Health level of business within the Group, unless stated otherwise, and includes our sustainability impact and developments with regards to BEE, our employees, Corporate Social Investment and the environment.

The Group had considered providing further reporting according to the principles and guidance from the GRI for sustainability reporting. The Group has concluded that due to the nature of the business activities as well as the current content of reporting, the GRI would not provide any further material and meaningful information to the readers of this report. Hence, no GRI Index has been prepared.

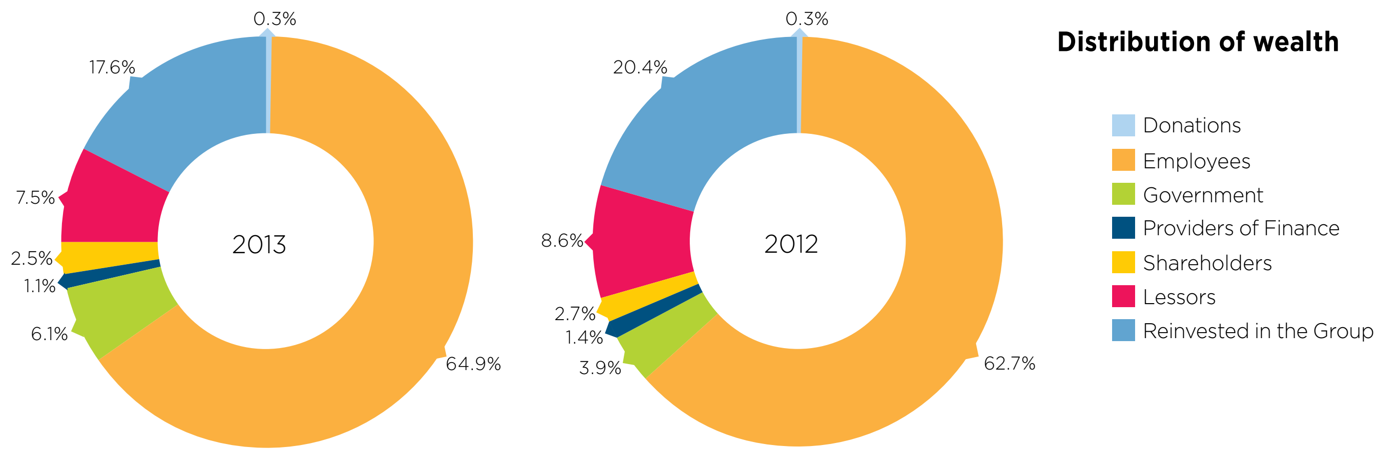
Most of the initiatives reported on for sustainability have been implemented recently and require further processes and procedures to develop a framework for performance measurement and targets. These will be developed over time as part of the Group's ongoing support for sustainability.

Value added statement

The level of economic value or wealth created for stakeholders through the efficient operation of the Group's business is a key measure of sustainability. Wealth created is defined as the value generated from the income generating activities of the business and is determined as total revenue less cost of merchandise, services and other costs.

In 2013, the Group created wealth of R1.5 billion, which is 20% higher than the R1.25 billion generated during the prior financial period. The table below shows how the total wealth created by the Group was distributed to stakeholders, while retaining sufficient capital for continued investment in the growth of the business.

	2013 R'000	Wealth distributed	2012 R'000	Wealth distributed
Wealth created :				
Turnover	1 770 330		1 448 261	
Less: cost of services	(310 434)		(254 146)	
Value added	**1 459 896**		**1 194 115**	
Indirect income	39 652		57 245	
Total wealth created	**1 499 548**		**1 251 360**	
Wealth Distributed :				
Donations and CSI	4 528	0.3%	4 223	0.3%
Employees' remuneration and benefits	973 272	64.9%	784 660	62.7%
Government	92 535	6.1%	48 582	3.9%
Taxation	84 848		42 523	
Skills development levy	7 687		6 059	
Providers of finance – finance costs	16 673	1.1%	17 508	1.4%
Shareholders – dividends	37 272	2.5%	33 884	2.7%
Lessors	111 910	7.5%	107 638	8.6%
Reinvested in the Group	263 358	17.6%	254 865	20.4%
Depreciation and amortisation	77 349		74 484	
Total comprehensive income	186 009		180 381	
Total wealth distributed	**1 499 548**	**100%**	**1 251 360**	**100%**



04

SUSTAINABILITY – CORPORATE SOCIAL INVESTMENT

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

The Transformation Committee, together with its supporting committees, 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 beneficiaries.

Enterprise Development Initiatives:

The Group specifically identifies and adopts projects that focus on two specific areas:

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

In accordance with our approach of establishing a long standing relationship with the beneficiary in order to maximise the benefit and the impact to the beneficiary, as well as driving the objectives outlined in the Minister's 10 point plan on Health, the following initiatives are supported by the Group.

Khanyisa Nursing School – a privately owned nursing school in Rosettenville, that caters for previously disadvantaged students. It is registered with the South African Nursing Council and as a Further Education Training College with the Department of Higher Education and Training. The Group has invested over R1 million in assisting with the refurbishment of the school, building additional classrooms, providing learning and teaching material.

Ithemba Nursing College – a privately owned college in Eersterus. The Group assisted the college with the acquisition of training and education material as well as funding for the acquisition of additional classrooms.

Future Nurses Nursing School – a privately owned college in Ekurhuleni. The Group purchased the training equipment required in order to assist with the quality of education and training that is received by the students.

Eluthandweni Maternity Clinic – the clinic is privately owned and provides women and infant healthcare services, to Vosloorus and surrounding townships. The services include pre and post natal care, delivery and immunisations for the babies.

Socio Economic Development initiatives:

Our Socio Economic Development ("SED") policy stipulates that we become involved in projects that are sustainable, uplift the community and build capacity. This policy is driven by the belief that young people are the foundation of our future growth in the South African economy.

As such, we specifically focus on projects which promote the health and education of young people from previously disadvantaged backgrounds.

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.

The Social Compact Fund

In November 2012, the Group became signatories to this fund, an initiative set up by the Minister of Health for the pooling of resources from companies in the health sector. A significant portion of our SED budget has been committed as our contribution to the fund. The pooled resources will be used to give momentum to the key objectives of the Minister's 10 point plan on health.

The Charlotte Maxeke Hospital School

In addition to previous contributions made by the Group towards the hospital school, including the building of an indoor playground, the Group contributed books and puzzles worth over R20 000 aimed at stimulating and entertaining the children while they wait for treatment, and when they cannot attend classes, due to their health not being at its best.

South African Disabled Golf Association

Support of disabled golfers from previously disadvantaged youth to participate in the first "Swing" programme.

Action for the blind and disabled

Sponsored the tuition and boarding of 5 students, from previously disadvantaged communities, to attend computer training at the school. The school caters for the blind and learners who experience auditory challenges, and provided them with training on computers, culminating in an independently moderated exam. The school also places students in internships or employment positions which further assist companies that are trying to improve their representation for disabled black employees.

Medscheme Development Cyclists

A programme that provides township students with an opportunity to participate in the sport of cycling, which not only provides them with extra mural activities and a sporting discipline, but also provides them with an opportunity to pursue cycling as a career.

OUR COMMITMENT

04

SUSTAINABILITY – OUR EMPLOYEES

Passion for People

Driven by our vision to "create a world of sustainable healthcare", the core of our value proposition is a passion for people, health and performance, a central theme that permeates all human capital practices.

Since the majority of the employees within the Group are part of AfroCentric Health ("AHL"), this report has been compiled at the AHL level.

The Human Capital ("HC") department is mandated to develop and implement practices and policies that will enable AHL to achieve its strategic objective. Guided by an integrated human capital model implemented in 2006, efficient, value-adding quality Human Capital solutions tailored to territorial, country specific and legal entity needs are achieved.

"Best Practice" Human Resources is incorporated into the offered solutions and HC is currently in the process of obtaining ISO accreditation to ensure that alignment with the organisation's objective of quality delivery is achieved.

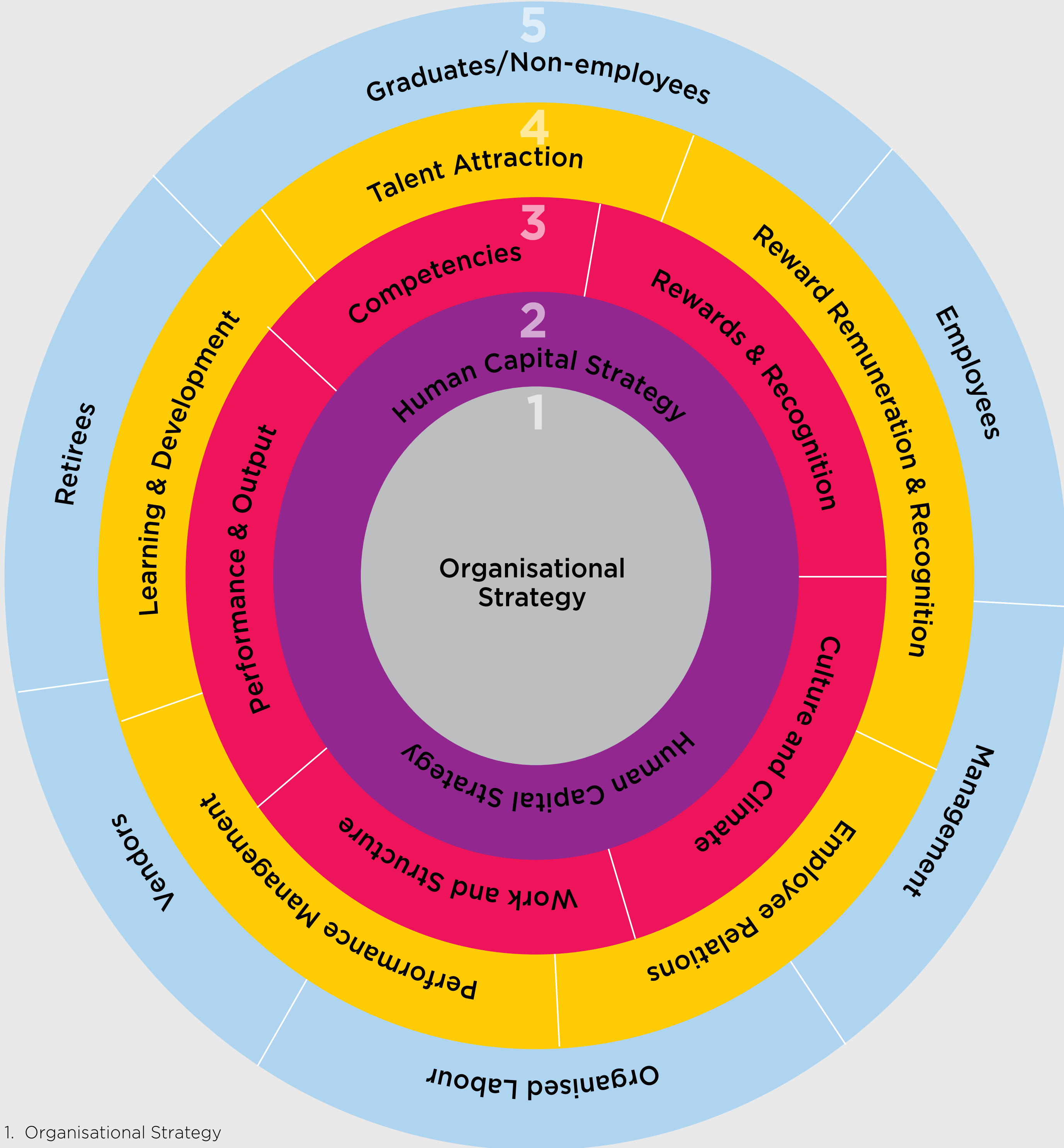
Our HC solutions are driven by the importance of employees, their contributions and the organisational value system.

VALUES

- Mutual Respect
- Accountability
- Integrity
- Innovation

What we offer our employees

- A total rewards philosophy (financial and non-financial)
- We encourage Innovation
- We support and promote a continuous learning culture
- An Organisation that values diversity
- A Values and Performance based culture
- Client Centric and Employee Centric Brand



1. Organisational Strategy
2. Human Capital Strategy
3. Human Capital Model
4. Human Capital Practice
5. Human Capital Service Model (Business Partners & Centres of Excellence)

The HC Model is continuously reviewed and appropriate interventions are implemented which contribute to the improvement and sustainability of our competitive advantage through leveraging on our most important resources, our talent.

AFROCENTRIC GROUP

Remuneration

In relation to the remuneration strategy, focus was placed on the following components this financial year:

- To drive Business Transformation in relation to employment equity and skills development, to contribute towards good corporate citizenship and business sustainability by driving the implementation of internal pay parity thus ensuring that equitability exists amongst employees on the same level and between various levels. The agreed principles are being phased in over a 3-5 year period. The main drivers this year were on retention of key and scarce skills and top performers. A differentiated model is in place to inform remuneration decisions to ensure fairness and consistency and has differentiation based on job disciplines.
- To provide Business Intelligence to management and the Boards to ensure that informed decisions are made and good corporate governance is maintained.
- To continuously review the job outputs and competencies required to ensure that the work is correctly documented and relevant to the organisational objectives and business models and to facilitate the recruitment of the correct employee profile and fit, together with market related remuneration benchmarking.
- To enhance reward practices to ensure the alignment to the organisational objectives and the Employee Value Proposition, thus ensuring that quality employees are attracted and retained.

In this financial year there was the successful launch of an integrated wellness programme called Healthwise, which provides employees with all components of wellbeing and includes emotional, financial, spiritual, social and physical components. We have partnered with specialists in their field to provide this service. The uptake was extremely positive with the following statistics of cases managed by Healthwise providers :

Emotional and counselling services – 746 cases

Financial assistance – 770 cases

Physical fitness – 1 624 cases

As an organisation we appreciate that not all employees are motivated by monetary rewards and as part of our passion to recognise outstanding performance our Recognition Programme (100% Achiever Awards) recognised employees that best demonstrate our Group values. Upgrading of the 110% Achiever Awards saw our Platinum Award winner receive a brand-new Hyundai i20. The Group also recognises excellence in service delivery with the Service Hero of the Year awards. This year the winner received an overseas trip to acknowledge their contribution.

Variable pay strategies are constantly reviewed and aligned with the organisations philosophy of pay for performance. All variable pay policies have a dependency on individual and Group performance.

The remuneration packages for the majority of permanent employees comprises of a guaranteed salary, retirement and healthcare contributions and an annual short-term cash incentive bonus.

Membership of the retirement fund is compulsory for all permanent South African employees. Refer to note 41 of the Group Annual Financial Statements for further detail.

Membership of a medical aid is a condition of service for all permanent South African employees, unless they are covered by the healthcare fund of their partner. Refer to note 26 of the Group Annual Financial Statements for further detail.

Wages and substantive conditions of employment are negotiated with NEHAWU for South African employees forming part of the bargaining unit.

Further information regarding the remuneration of Directors, formal policies, principles and governance is provided in The Remuneration Report on page 76.

Wellness Programmes

Many wellness initiatives have taken place over the last year including the following:

- Monthly blood donation campaigns
- Stress management workshops
- World Aids Day commemoration and education
- Take a girl child to work campaign
- Take a boy child to work in partnership with Tracker
- Casual days to promote and drive awareness in support of national charity initiatives
- Cansa Shavathon (contribution tripled in terms of donation to Cansa)
- Numerous collections of monetary and non-monetary articles e.g. winter drives to collect warm clothes, blankets, soups etc for less fortunate and homeless people
- Healthwise programme for employees

Talent attraction, placement and retention

This year we implemented a new recruitment structure that included the appointment of a specialist resource to further increase our capability to source suitably qualified employees in an efficient and effective manner. This ensured that vacancies are filled within a short period and currently candidates are, on average, appointed within 60 days of the vacancy being advertised.

This new structure has enabled us to leverage on more progressive methods of sourcing applicants, this includes the use of an Internal Referral Programme ("IRP") and an internal database. It further enabled us to review our recruitment agency database and establish a new database that only included agencies that were compliant to all legislative requirements and that had demonstrated an ability to deliver quality applicants that met our organisational requirements. All agencies were introduced to the AfroCentric structure and brand and had accepted our terms and conditions that we set to ensure quality in talent attraction.

This structure has greatly contributed to us achieving our Employment Equity objectives and is further credited with the successful implementation of our People with Disabilities ("PWD") programme. This programme was designed to attract and appoint employees with physical disabilities. This programme required us to evaluate all positions in the organisation and based on the functions of each position, we had to determine what type of physical disabilities could best be accommodated in our working environment. Applicants were sourced from various educational institutions in mainly disadvantaged communities.

In continuing a quest to create value through differentiation and innovation, we significantly enhanced our on-boarding programme, which now includes pre-employment sms messages that are sent to all newly appointed employees prior to them commencing employment.

To further enhance the practice, we continued to implement training workshops for managers and employees, which included targeted selection, interviewing techniques, preparation for interviews and CV structuring for internal applicants.

Apart from the various retention strategies that were implemented as part of our remuneration practices, we are proud to be one of a few companies in our industry that have developed and implemented an Alternative Working Arrangement Policy, which makes provision for a Work from Home Programme. We currently have close to 200 employees across business units and functions that are performing their daily work functions from a home-based work station. We provide employees with the required ICT infrastructure and support that enables them to function optimally whilst working from home. In addition to the work from home programme, this policy enables employees, who require flexibility in their working conditions, to apply for various alternative working arrangements that are designed to assist in maintaining a work-life balance. The Work from Home Programme also contributes positively to the environment with the reduction of staff travelling to work and thus reducing our carbon footprint.

Development of Talent

Our learning and development strategy is based on 3 main streams of learning, viz. Leadership Development, Functional Training (including behavioural skills) and Generic training that we align to the competency requirements for each of our nine job families. This year we officially inaugurated our Learning and Performance Academy ("LPA") which provides the structure and packaging for the 3 learning streams.

This year we invested in excess of R24.2 million, equivalent to approximately 2.3% of our total payroll cost, towards learning and development. This contributed greatly to enhancing and increasing our employee capabilities and ensured that we obtained 13.57 points of a possible 15 points for Skills Development during our BBBEE rating certification. Refer to page 70 for further information about our BEE status.

In our Leadership Development stream, we successfully completed two learning programmes for employees at team leader level and above. These Harvard endorsed programmes are designed to specifically enable new managers (team leaders) to understand and develop competencies required at a basic management level, thereby igniting their ability to lead. At a middle management level it enables managers to evolve from focusing on competencies that are required at an operational level to competencies required at a tactical level. These programmes were therefore aptly named the Ignite and Evolve programmes, and yielded its first graduates this year, with 202 employees graduating. The class of 2012 included a total of 117 black employees and 145 female employees.

Further leadership development training included customised training interventions for Senior and General Managers and included executive coaching programmes. The continued investment and enhancement of our leadership competencies in the Group enables us ensure that our Group values become part of our culture. Our Learning and Development intent in turn unlocks and further enhances our performance and customer centric culture.

Our functional training stream continues to deliver superior training curriculums and on demand training for all newly appointed employees that require product and system training. Our training interventions further enhance our already superior World-class technology and Quality Management approach which is fundamental to the efficiency of the business.

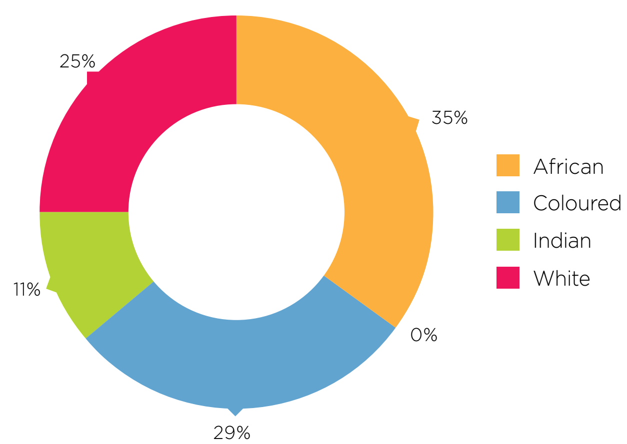
In addition to this we continue to support all business projects, through providing functional training designed to meet project objectives. We continue to design and develop training material for all system enhancements, new system implementations and system upgrades. We further continue to design, implement and facilitate customised behavioural skills training programmes that focus on meeting business demands and elevating our employee value proposition.

Our Generic training stream provides managers and employees with the flexibility to request training that relates to their specific roles and/or developmental needs. This training is mainly sourced through accredited external providers and institutions of further education and training. Within this stream we have also identified a need to focus on auditing and finance related qualifications and have therefore successfully implemented learnerships in these areas. We currently have 11 employed and 9 unemployed, who are all employment equity candidates under the age of 35 years.

We continue to invest in the further education of our employees and their immediate dependants by providing Study Assistance, with the total value exceeding R296 163 this being a 30% increase over last year, and Bursaries, with a total value of R81 000 funding studies for 40 employee dependants.

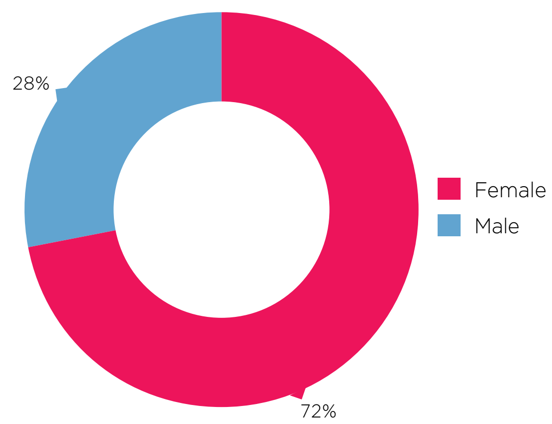
This year we are also proud to have implemented blended learning initiatives in both our leadership development programme and functional training.

Number of Learners per Race Group



Total of PDI learners (Medscheme Payroll): 1 704
Headcount (Medscheme Payroll): 2 297
Number of PDI trained as a percentage of employees: 74.18%

Gender Representation



Total of Female learners (Medscheme Payroll): 1 665
Headcount (Medscheme Payroll): 2 297
Number of PDI trained as a percentage of employees: 72.49%

Employment Equity

Employment Equity ("EE") remains a major focus and a key Business imperative. This year we focused on embedding good governance practices, through our National Employment Equity Forum ("NEEF") and the four divisional forums. We revised the constitution of the NEEF and streamlined the reporting that now empowers members to scrutinise progress of the implementation of our EE plan and reports. We are happy to note that our NEEF is anchored by executive accountability and support, which has ensured a successful EE target setting process and enabled us to secure over 10 points of the 15 available points for Employment Equity during our BBBEE rating certification.

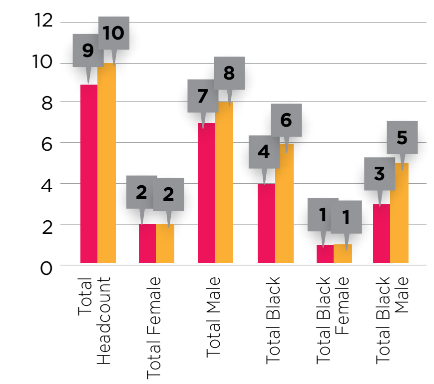
Our continued EE awareness initiatives included the branding of our communications to explicitly reflect diversity and the introduction of communication that included photos of the EE forum members. This enabled employees to identify EE representatives, that could be approached for more information on EE and when required, report infringements.

One of our focus areas in EE was to create awareness around the employment of people with disabilities. We therefore conducted an audit to determine how many employees are deemed to be a person with disabilities. The results of this survey is reflected below.

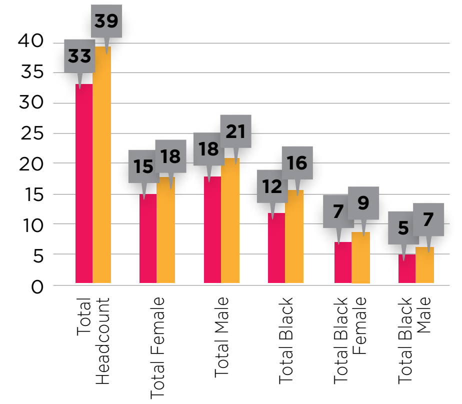
	African	Coloured	Indian	White	Total
Male	6	7	3	6	22
Female	11	12	10	27	60
Total	17	19	13	33	82

Our disabled employees form 1.77% of our workforce. This is a massive improvement compared to the prior year where 0.01% was represented.

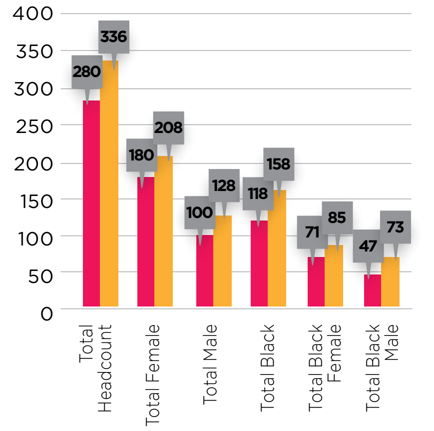
Top Management



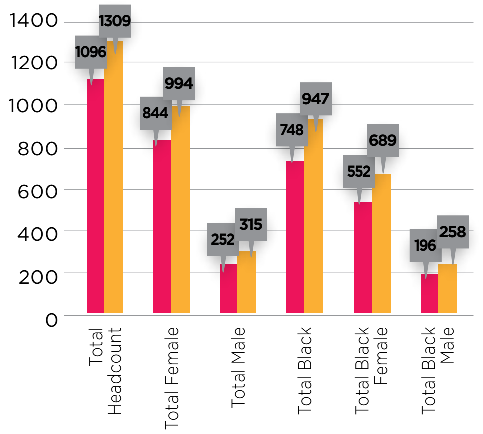
Senior Management



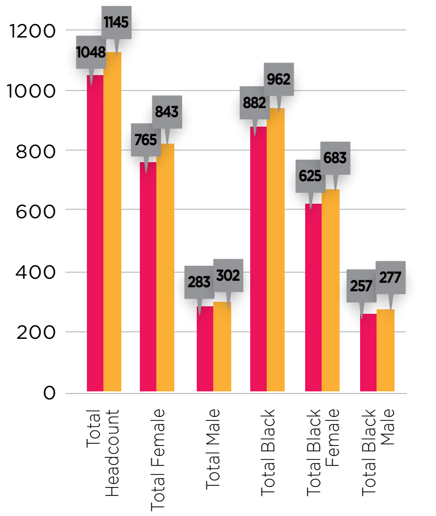
Professionally Qualified Employees



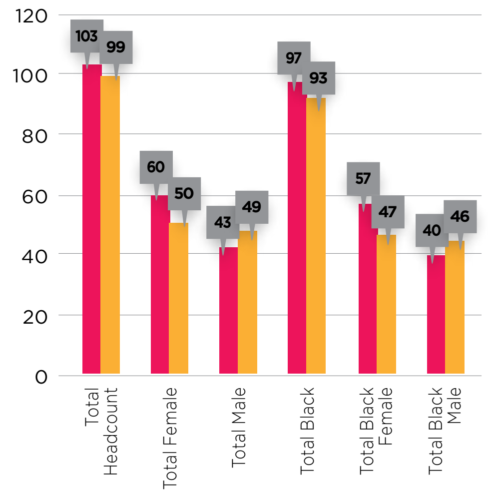
Skilled Employees



Semi-Skilled Employees



Unskilled Employees



June 2012 June 2013

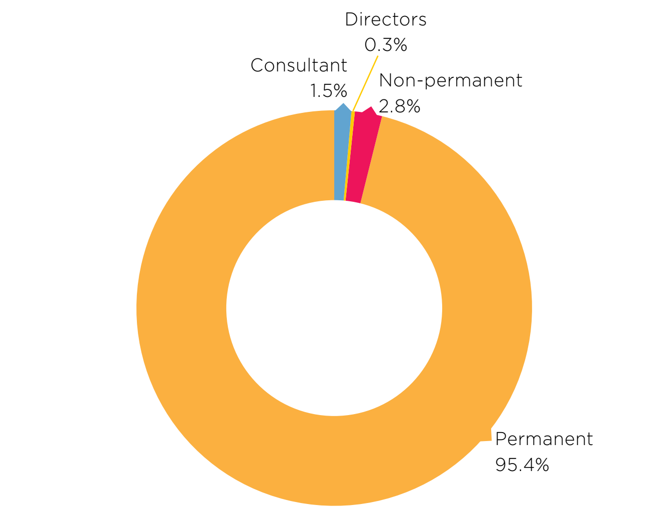
Employee relations

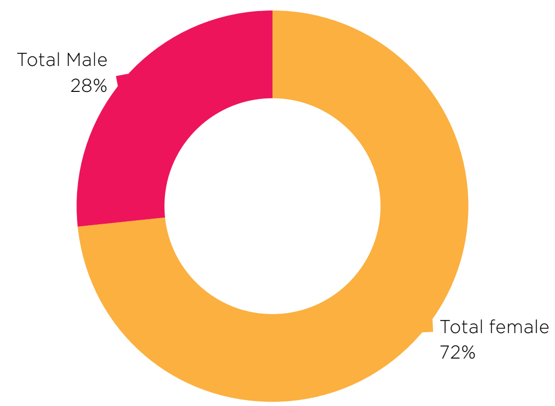
The successful renegotiation of a new Recognition Agreement with NEHAWU in February 2012 has paved the way for a well-defined relationship with the trade union. We have therefore maintained a good working relationship with NEHAWU and have successfully concluded the Wage Negotiations, a Secondary Negotiations Agreement and a new, Full-time Shop Steward agreement, and all 3 these agreements were concluded without any impact on operations or productivity.

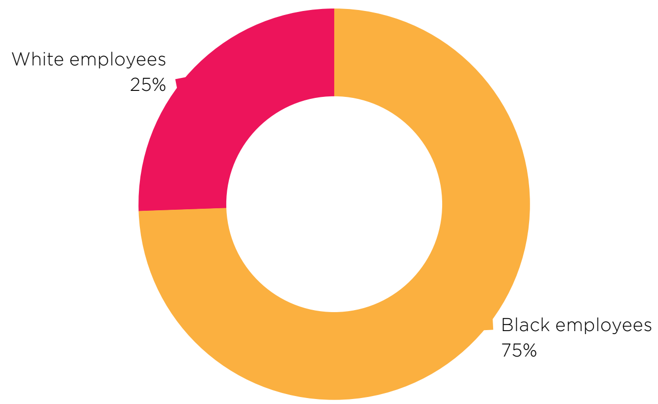
In addition to this, we have successfully defended over 95% of our employee related disputes and only recorded two incidents in which management did not comply with employee relations policies and/or procedures. This exceptional performance is attributed to our ongoing awareness initiatives that included a number of employee relations workshops on disciplinary, grievance and incapacity management for managers at all levels.

Through our Employee Relations Practices and Business Partner Roles, we have been able to successfully manage all HC related risks and have continued to maintain a moderate to insignificant risk rating.

Further Employee statistics







Occupational Health and Safety

AHL delivered an excellent safety performance during the period and managed to reduce its Total Recordable Incident Rate ("TRIR") to 1.68 compared to a TRIR of 2.96 for the same period in 2012.

Reviewing our Policy and improving various processes and procedures ensured that our most valuable asset, our staff, received the best of attention when it came to safety in the workplace.

New initiatives included the implementation of a procedure relating to the management of contractors compliance with regards to the Occupational Health and Safety Act on a national basis, thereby reducing risk even further.

The strategy is to remain focused and to continuously drive and improve our management system, ultimately responsible for ensuring compliance and demonstrating our passion for people.

Reliance is placed on a unique automated reporting system that informs all concerned parties of an incident, the moment it occurs. This system is implemented on a National basis and also covers the smaller outlying branches.

During the year, various health initiatives were driven via the canteen services that support our strategy of ensuring we have a healthy and happy work force.

1. A "fit for life" healthier food option is standard on all menus.
2. Meal options indicate and include detail as to the fat content of meals.
3. Bi-weekly health campaigns on a variety of topics to create awareness.

SUSTAINABILITY – TRANSFORMATION AND BEE

04

OUR COMMITMENT

Level 2 BEE contributor

One of the top BEE companies in the Healthcare Sector

Our philosophy

Transformation is regarded as a business imperative that permeates the Group's business processes and culture, and influences the business decisions taken by senior management.

Transformation drives our vision of "Creating a World of Sustainable Healthcare" and without continuous transformation and adaption to the changes in the healthcare sector, legislation and global factors, our vision would remain unattainable.

Transformation Committee

The Transformation Committee is responsible for driving transformation and BEE compliance across the Group. Refer to page 84 of the Corporate Governance section for further information about this Committee.

Broad-Based Black Economic Empowerment

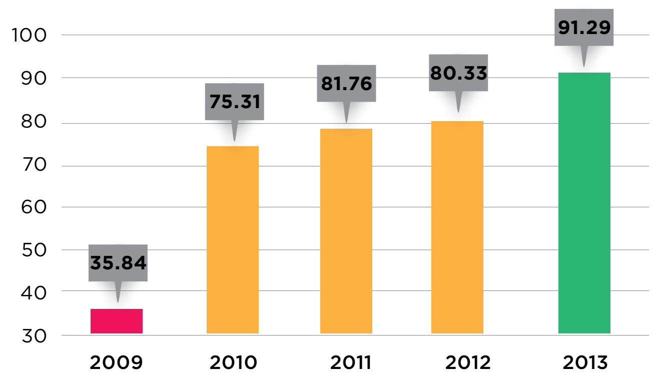
The Group recognises that transformation cannot occur without also considering B-BBEE. The B-BBEE legislation was developed and implemented to drive transformation, to reverse the oppressive effects of the previous regime which resulted in exclusion of a significant portion of the population from meaningfully participating in the country's economy. Since the inception of the B-BBEE Codes of Good Practice, in 2007, the Group has been actively seeking ways of understanding the legislation, drafting compliance strategies and implementing the strategies to support business growth in terms of our mission while at the same time improving compliance in terms of the requirements of the BEE codes.

BEE Performance

Our sustained improvement as reflected on the Broad Based Black Economic Empowerment scorecard demonstrates our commitment in driving transformation. The scorecard is measured at the AHL level of the Group.

Through increased focus, the BEE score has improved from a score of 35.84 in 2009 to 91.29 in 2013. This marks a significant improvement from a level 8 contributor status to a level 2 contributor status over a period of 5 years.

B-BBEE performance



AfroCentric aims to enhance BEE Shareholder participation in prestigious, traditionally white-owned businesses

AfroCentric's Philosophy

AfroCentric's roles

- Mentor and develop existing BEE companies
- Facilitate strategic opportunities for BEE to develop
- Provide a vehicle for further BEE participation of existing companies
- Introduce value adding participation in new BEE deals

AfroCentric's "toolkit"

- Exceptional BEE credentials
- Rigorous earnings-enhancing investment philosophy
- Reputable and networked Board of Directors
- No investment horizon – long-term investors
- JSE-listed corporate vehicle

BEE SCORECARD PILLARS

Year	Ownership	Management control	Employment equity	Skills development	Preferential procurement	Enterprise development	Socio economic development	Totals
2013	22	8.17	10.13	13.57	17.93	14.49	5	91.29
2012	20	8.63	10.60	5.42	18.14	12.54	5	80.33
2011	20	6	11.47	8.97	18.22	12.10	5	81.76
2010	20	6	10.23	11.03	17.24	5.81	5	75.31

Despite the increased targets for the Employment Equity and Preferential section of the scorecard, coming into effect during our 2013 measurement, proper planning and focus ensured that our overall performance on the scorecard was not negatively impacted. Skills Development and Enterprise Development also reflected improvements.

AfroCentric has impressive BEE credentials with an HDSA* shareholding in excess of 68%

AfroCentric Empowerment Trust ("ACET") major beneficiaries

SA Council of Churches

"The Council is the national ecumenical enabler and co-ordinator of inter-church debate and action. The Council is well-known for the role it played in the struggle against apartheid, the globally-condemned oppressive policy of our former Government."

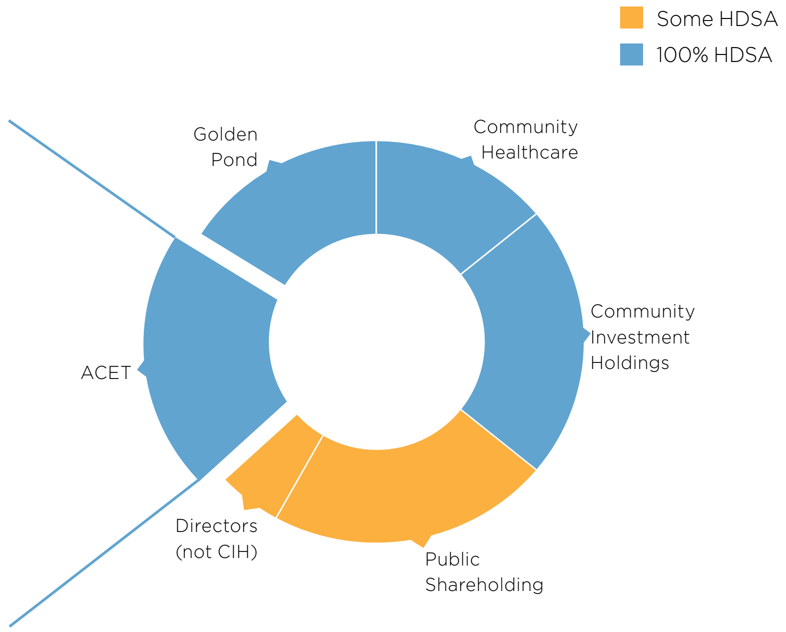
Fort Hare Foundation

"The role of the foundation includes the whole cycle of fundraising. It is now responsible for cultivation (relationship building and management), solicitation (the art of fundraising) and stewardship (maintaining the relationship following a donation)."

Leadership Foundation

The Leadership Foundation Trust was constituted to participate as one of the beneficiaries of the AfroCentric Empowerment Trust in order to provide resources for the maintenance of a Leadership Institute, promoting the Institute's objectives for broad based previously disadvantaged South Africans, engaged in and benefiting from the Institute's training programmes and initiatives.

AfroCentric shareholding (approximate, as public shareholding fluctuates)

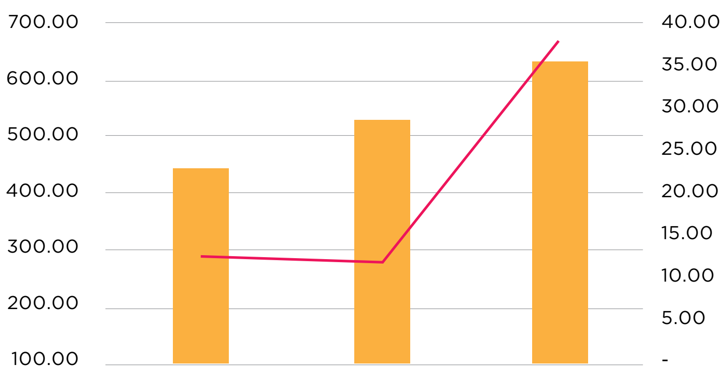


*Historically Disadvantaged South Africans – qualify for BEE status
Source: Computershare, ACET beneficiaries

04

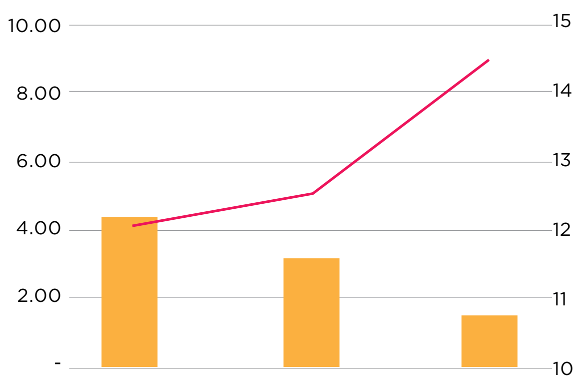
OUR COMMITMENT

Payroll vs Skills Spend



	2010 (R) Million	2011 (R) Million	2012 (R) Million
Total payroll	444.00	532.00	636.00
Spent on training black people	13.00	12.00	38.00

Enterprise Development by spend and point



	2010 (R) Million	2011 (R) Million	2012 (R) Million
Spent	4.40	3.20	1.60
Score	12.1	12.54	14.49

These graphs are based on the B-BBEE verification performed in December 2012.

Mandela Day celebrations 2013

TRANSFORMATION COMMITTEE		
Committees that support the Transformation Committee in order to achieve its objectives		
National Employment Equity Forum	**Socio Economic Development Committee**	**Enterprise Development Committee**

The National Employment Equity Forum is a forum that is responsible for driving employment equity compliance in the Company. The forum is well represented by employees, management and union representatives and discussed the Company statistics, performance towards the EE targets, the effects of attrition, promotions and recruitment on the targets.
 	
The forum is further supported by sub-committees which represent the different business units. Information discussed and presented at the NEEF is used as input into the transformation committee.
	The SED Committee comprises volunteer members from the business. The committee's main objectives are to ensure that the CSI/SED budget is spent in line with the SED policy. The projects supported and funded are aligned to:
	• B-BBEE requirements outlined for any contribution to be recognised as compliant with the SED requirements;
	• The 10 point plan on health by the Department of Health, which is aimed at improving the state of healthcare in the country and making quality healthcare accessible to all;
	• Alignment to the Millennium Development Goals that are health related.
	• The SED Committee meets at least twice a year.
	
	The SED committee's objectives are:
	• To vet proposals in order to determine whether the proposed projects:
	  • Will enable the Company to reach the objectives of transformation strategy, B-BBEE and 10 point plan on Health
	  • Fall into the priority areas of health, youth development, HIV/AIDS priority areas, as specified in the SED policy
	  • Are in line with the brand integrity of the Company and can be used to strengthen the Company's brand.
	• The SED committee members are also responsible for being volunteer champions in their areas to ensure that Medscheme employees remain engaged and committed to the SED strategy. The committee is also responsible for mobilising volunteers for any project where employee volunteerism is required
	
	The initiatives and projects which the SED Committee promotes are discussed on page 61 of the Sustainability Report.
		The ED Committee comprised the Executive Director responsible for Strategic Relations, the Executive Director responsible for Group Communication and Branding, and the Transformation Manager.
		
		This Committee adopts the approach that a long standing partnership between the Company and the beneficiary leads to a long-lasting impact on the beneficiaries. This approach enables the measurement of progress and growth of the beneficiary organisation. This committee is responsible for the identification of suitably qualifying projects that meet the requirement for enterprise development recognition. The projects are identified, approved, implemented and driven to completion by the Committee members. The committee further provides any additional support, e.g. Business skills, business and/or training equipment, cash investments.
		
		The initiatives and projects which the ED Committee promotes are discussed on page 60 of the Sustainability Report.

OUR COMMITMENT

SUSTAINABILITY – ENVIRONMENTAL

04

During the year under review, AHL formalised and approved the environmental policy. The policy outlines a commitment to develop a culture of environmental conservation, awareness and protection within its own operating environment.

AHL endorsed a holistic approach to Environmental Management within the boundaries of the Group's operations and the integration thereof with surrounding areas, interested and affected parties, the public at large, users and communities.

The Group policy defines a belief that management should lead the example in achieving our Environmental Management goals through their personal commitment and example. Conversely, we believe that employees should be encouraged and empowered to participate and contribute freely towards our Environmental Management effort.

The Policy includes the formulation of an integrated environmental management plan that receives Executive Sponsorship and is aligned to our strategic intent.

Aligned to our policy and the leadership commitment, a decision has been taken to screen and vet all suppliers against our environmental policy and to drive our strategic intent to reduce our carbon footprint.

Continued awareness and education interventions will be driven across all stakeholder groups to enable the Group to achieve its objectives and this will be supported with bi-annual gap audits to inform our strategic objectives.

Our Environmental Promise:

- Integrate Environmental Management in our routine activities
- Optimise the recovery and use and re-cycling of resources
- Ensure compliance with National legal and regulatory requirements
- Educate employees in managing sound environmental sustainability
- Participate with other organisations seeking to promote product recycling and environmentally conscious designs
- Ensure that harmful or hazardous materials and waste products are safely transported and disposed of
- Minimise our energy consumption by introducing energy efficient equipment where possible
- Encourage public participation in achieving our Environmental goals
- Undertake regular evaluations of our sustainability initiatives and report internally and publicly on our progress in reducing our impact on the environment.

Energy

Volatility in the utility market has led to an increased and renewed focus on energy savings in general and AHL has recognised that we have a social responsibility towards ourselves, our staff and our customers to ensure that we operate sustainably and commit to reduced energy consumption.

Various projects were initiated to reduce usage and in doing so, driving down our carbon footprint substantially. Notable achievements were as follows:

- The implementation of management systems on the running time of heating, ventilation and air-conditioning systems to efficiently utilise power usage.
- The installation of timers and sensors to monitor movement and deactivate lights in motionless environments.
- The initiation of a carbon footprint analysis.

During the year under review, the savings in electricity consumption has produced reduced GHG emissions of 56 318 tonnes CO_2-eq. (Electricity emission factor used in this analysis is 1054 kg CO_2/kWh), for the financial year.

Recycling

Two fully fledged recycling facilities are in operation at two of AfroCentric Health's major branches, accommodating the bulk of our staff complement and waste contribution.

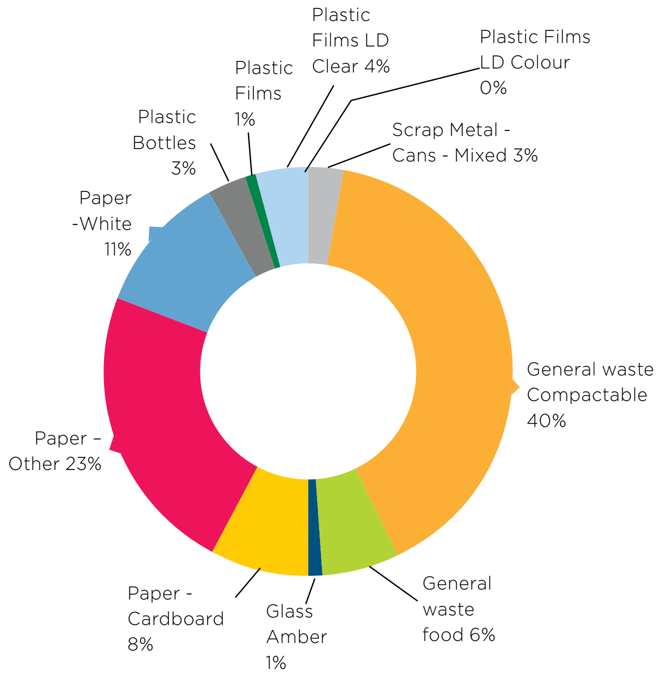
The AHL Group has installed water coolers in all staff luncheon areas as well as in selected meeting rooms to reduce the usage and purchasing of bottled water throughout the business.

Rebates received from suppliers with regards to recycling are again put forward towards reducing our carbon footprint and creating new initiatives.

The graph below is a summary of the various waste streams and certainly a great achievement in ensuring that almost 70% of the bulk of our waste is recycled. Total recyclable waste is 69.02% of approximately 55 ton created per annum, applicable to two of AfroCentric Health's major Branches.

In addition to the above, the AHL Group was recently recognised for its efforts to preserve the environment and received a certificate from Shred-it, a major waste collector and business partner, indicating that the following achievements were made by recycling confidential waste:

Recycling



Period	2013 year
Mass shredded (kg)	25 900
Trees saved	264
L of Oil – saved	37 974
m^3 of landfill space – freed up	57
Kw of energy – saved	104
L of water – saved	700 863
kg of air pollution – saved	3 617
Comparison – trees saved	
CO_2 trees would absorb from atmosphere	14 240
CO_2 that would have been created if paper was burnt	88 493

04

REMUNERATION REPORT

The scope of this report includes the remuneration policies and governance of AfroCentric Health Limited ("AHL") for the year ended 30 June 2013 as well as the top 3 salaried employees.

The remuneration of the AfroCentric Board of Directors, both Executive and Non-Executive is also disclosed.

The remuneration practices in the Group are aimed at supporting the business objectives geared towards diversification, growth and sustainability.

There have been no material changes to the remuneration practices during the period under review.

Remuneration philosophy and principles

Our reward philosophy has matured over a number of years and ensures that employee rewards, which are one of the single largest investments, incurred by AfroCentric Health, is meaningful to employees and supports delivery of business objectives.

The principles, strategy, processes and governances practices pertaining to a Total Reward Package are carefully considered, well understood and clearly documented and communicated. Furthermore, they are reviewed and benchmarked regularly (at least on an annual basis) and adjusted to drive optimal performance. It is also crucial that "the spend" on Total Reward:

- be distributed in such a manner that it supports the retention of the necessary skills required to underpin the organisational design, which in turn delivers the strategy. In short, the distribution of the pie must be well considered;
- be balanced in such a manner to recognise maturing skills and facilitate the building of pipelines for succession in Business Critical Roles;
- be structured in such a manner that supports a culture of high performance and more specifically assists to direct the energy of the organisation towards achieving both long and short-term goals as directly related to the long-term strategic sustainability and focus;
- be mindful of the other forms of recognition that might be required to balance a total Reward Strategy between the tangible and intangible forms of employee motivation and morale including but not limited to job satisfaction, development and specific informal recognition schemes

Remuneration governance

The Board has delegated responsibility for the oversight of the Group's remuneration practices to the Remuneration Committee. The committee is responsible for reviewing, recommending and approving the remuneration elements for Non-Executive Directors, Executive Directors and key executives.

The Remuneration Committee considered the organisational performance, market conditions, reward benchmarking, accountability of the leadership team, governance and material stakeholder communication during its decision making process.

The duties of the Remuneration Committee are to ensure proper alignment between the Organisational strategy, Human Capital intent and the Remuneration strategy to unlock Shareholder value. For further information regarding the Remuneration Committee refer to page 92 of the Corporate Governance section of the report.

Executive Directors Remuneration

Remuneration principles

Remuneration of Executive Directors is determined based on the level of accountability, complexity, and nature of the role which is measured relative to the organisation's turnover, number of employees, market cap, assets, net after tax profitability, wage bill and number of employees benchmarked to the external market.

Key principles that govern the remuneration of all employees including Executives in the Group are:

- Base pay based on a Cost to Company ("CTC") basis which is a guaranteed package. This methodology was implemented in 2002 and is continually reviewed to ensure that it is still best practice for the market and industry in which we operate.
- Pay for Performance methodology, linking executive reward to business performance. This methodology allows for differentiation of percentage increases based on an individual's contribution/performance.
- Ensure that external parity is maintained to ensure market relevance but at the same time that internal equitability is balanced and that pay adjustments are made according to the affordability of the organisation and ensuring that we are able to apply attraction and retention factors.
- Aligning executives to Shareholder interest by linking short and long-term incentives to performance indicators.

The following sources are utilised to benchmark to:

PWC Remchannel, Medical State packages including Occupation Specific Dispensation factor, 21st Century Pay Solutions, PE Corporate Services

Performance Measurement

The remuneration of Executive Directors is informed by the Group's strategic objectives and directly linked performance indicators as approved each year by the Board and reviewed annually. Key financial and operational targets are aligned, but furthermore, values based indicators also forms part of the executive scorecard.

A revised performance management methodology was successfully implemented in this financial year which included a cascading of objectives to ensure that all employees understood their line of sight and contribution to the Group strategic objectives.

Remuneration structures

GUARANTEED PAY

All Executive Directors receive a guaranteed portion of remuneration, which is based on cost to company. The CTC comprises of fixed cash and benefits which include medical aid, retirement funds, life and disability cover.

EXISTING INCENTIVES

A. Management Performance Based Incentive

The intention of the Management Short Term Performance Incentive Scheme is to:

- provide AfroCentric with a mechanism to drive the required behaviour and results;
- to align Executive Directors and management deliverables to the Group strategy and key objectives;
- A mechanism to accelerate AfroCentric's business and financial performance.

The Scheme is underpinned by the following objectives:

- To provide a mechanism whereby managers and specialists have the opportunity to share in the financial growth of the Group in a meaningful way subject to the achievement or predefined net earnings targets set over 3 year intervals;
- To differentiate reward based on an individual's contribution and to reward the top performers within the organisation at a higher quantum than others;
- Managers who do not meet minimum targets are excluded from payouts as a minimum performance score is included in the scheme rules;
- To encourage an integrated "AfroCentric" Group behaviour that positively contributes to organisational performance;
- To motivate and retain managers and specialists at equivalent level who contribute and play a significant role in improving AfroCentric's financial performance;
- To drive behaviours that will contribute to the achievement of the AfroCentric's strategic objectives; and
- To provide an easy-to-understand and

clearly communicated managerial incentive scheme;

- To ensure value is created for both Shareholders and participants.

The current management incentive scheme expires at the end of the 2013 financial year and a revised scheme will be presented to the Remuneration Committee for consideration. The new scheme will continue to include the above objectives but is being reviewed with the long-term incentive scheme as both components form part of variable pay and cannot be viewed in isolation of each other.

B. Share Incentive scheme

A number of shares have been allocated to selected Executive Directors. The shares will only vest on the achievement of the warranty as set out in the Sale of Share Agreement between the vendor consortium and AfroCentric.

PROPOSED SHARE-BASED INCENTIVE

The Remuneration Committee commissioned the development of a share incentive scheme during the year. This long-term incentive relates to senior management and is currently in development. The objective of the scheme will be to encourage alignment of the participants to the long-term strategy of the Group.

Non-Executive Directors' Remuneration

At the Annual General Meeting held on 13 February 2013, a special resolution was passed authorising the payment of Non-Executive Directors fees for the next 12 month period. The fees were payable quarterly, in arrears.

Non-Executive Director fees:

- Chairperson R150 000
- Non-Executive Director R150 000

Messrs Sacks, Kahn and Joffe waived their rights to receive any Director's fees.

The proposed fees for Non-Executive Directors for the 2014 financial year, subject to the Shareholders passing a special resolution in favour of such fees, is as follows :

- Chairperson R180 000
- Non-Executive Director R180 000

All fees processed for payment are signed off by the Company Secretary and there are no additional fees payable in the form of participation in incentive schemes, in line with best governance and remuneration practice.

The remuneration of the Non-Executive Directors is reviewed annually by the Remuneration Committee and recommendations for increases are made to Shareholders at the AGM for consideration and approval. The recommendation for increases include market benchmarking and best practice via comparison to other organisations with a similar profile.

None of the Non-Executive Directors have service contracts with the Group and no consultancy fees were paid to them during the period.

AfroCentric Directors' Remuneration Analysis 2013

	Short-term benefits						Post-retirement benefit		
R'000	Months paid	Directors' fee	Salary	Performance Bonus	Allowance	Share-based payment	Pension contributions	**2013 Total remuneration**	**2012 Total remuneration**
2013									
Non-Executive Directors									
A T Mokgokong	12	725	–	–	–	–	–	725	757
N B Bam	12	128	–	–	–	–	–	128	120
B Joffe	12	-*	–	–	–	–	–	–	–
JM Kahn	12	-*	–	–	–	–	–	–	–
MJ Madungandaba	12	657	–	–	–	–	–	657	623
Y Masithela	12	180	–	–	–	–	–	180	120
G Napier	12	191	–	–	–	–	–	191	120
S M Rothbart**	12	385	–	–	–	–	–	385	464
M Sacks	12	-*	–	–	–	–	–	–	–
Total									
Executive Directors									
D Dempers	12	-***	4 466	9 000	37	19 500	–	33 003	***
W Holmes	12	–	2 021	717	-	1 155	236	4 129	3 351
Total									
Remuneration of top 3 salaried employees									
A Meyer	12	–	2 694	1 527	72	2 598	228	7 119	4 401
K Aron	12	–	2 238	903	95	1 811	119	5 166	3 293
T Rametse	12	–	1 898	818	48	866	101	3 731	***

* Mr Sacks, Kahn and Joffe waived their rights to receive any Director's fees.

** Non-Executive Director of the AHL Board.

***Mr D Dempers was appointed a Non-Executive Director of the Board from 5 September 2012. In the prior financial year his remuneration was disclosed under the top 3 salaried employees.

RISK MEASUREMENT AND MANAGEMENT

This report is presented by the AfroCentric Audit Committee for the financial year ended 30 June 2013.

The Risk Committee (herein referred to as "the Committee") exists only at the AfroCentric Health level as this is where the management of risks is required for the operating activities of the Group.

The roles and responsibilities of the AHL Risk Committee as well as the Committee composition are presented in the Corporate Governance section of the Annual Integrated Report.

The Board of Directors recognises the importance of effective risk management in today's Business environment and with this in mind the Risk Committee was established.

Any significant risks identified by the AHL Risk Committee are escalated to the AfroCentric Audit Committee. The activities of the AHL Risk Committee are noted in this report.

Reporting and Risk Management Structures

Currently the Committee reports up to the AHL level of operations since AHL represents the vast majority of the operating results of the Group.

The LGRC is the internal combined assurance department within the Group which caters to the needs of business in the various trading sectors.

The LGRC is the internal support function and is responsible to advise on and implement all necessary structures and procedures to mitigate legal, reputational and financial risk within this environment. In order to perform these duties the department has underlying functions that form part of its structure and these can be represented in the schematic below.

The LGRC department has steadily and increasingly contributed to the overall success of the AfroCentric Group during the previous financial years and shall continue to strive to safe-guard the Group's interests in accordance with the Group's core values and corporate governance standards.

LGRC

- Company Secretary
- Forensic Department
- Information Security
- Compliance Department
- Legal Department
- Risk Management

AHL and its underlying businesses use the globally recognised COSO (Committee of Sponsoring Organisations) framework for risk management. This framework was developed in response to management's needs for effective ways to better control operations and to help ensure that organisational objectives related to operations, reporting, and compliance are achieved. The framework provides a standard way of describing and discussing internal control. Risk registers are used throughout each business in order to monitor and control risks identified.

AHL had approved a Risk Maturity Assessment in the past in order to measure the maturity level of risks within the businesses. The assessment is performed by AON – an external provider of risk management solutions and recognised globally. The objective of the maturity assessment was to ensure that the following, among others, are achieved:

- timeous corrective actions taken;
- operational requirements addressed;
- appropriate risk interventions implemented.

The assessment results revealed that the Executive Managers are aware and responsive to risks and the management thereof.

A revised Risk Maturity Assessment will be performed in the following financial year.

The Risk Management department was recognised by the Institute of Risk Managers ("IRMSA"), for the risk initiatives that it implemented. Medscheme received the "Health Care Risk" winner in both 2011 and 2012.

Both the AON external assessment and the IRMSA awards are testimony to the successes and effort of the Group with regards to the Risk Management process.

LGRC's objectives, roles and responsibilities include:

1. Mitigating legal, financial and reputational risks to the organisation through giving guidance on the drafting of agreements and giving specialised legal advice;
2. Facilitating the identification, treatment and mitigation of business and strategic risks to the organisation;
3. Facilitate the compliance to acts, regulations, policies and organisational ethics;
4. Ensuring compliance to all regulatory requirements pertaining to information security, and ICT systems, processes and mechanisms; Devising and implementing policies to address residual risk to the confidentiality, integrity and availability of the Scheme's systems, technologies, information and people through best practice methodologies and tools. Ensuring an IT governance structure is in place and effective in line with the requirements for IT governance defined in the King III code on corporate governance;
5. Ensure compliance to the requirements pertaining to governance with regard to King III report and code, the Medical Scheme Act and best practice;
6. Ensure that the organisation has fraud prevention strategies in place; mitigating financial loss to AfroCentric by pro-actively identifying potential fraudulent payments and recovering overpayments made to Healthcare Providers.

AHL has a Risk Management department which reports within the LGRC Business Unit.

The roles and responsibilities of this department are as follows:

1. To facilitate the development of comprehensive risk register for each department in Business which includes determination of Business units risk appetite and risk profile.
2. Facilitate quarterly review workshops of risks, including assessments of implemented risk mitigating procedures.
3. Monthly and quarterly reports on risks for the Board and management.
4. Provide general Risk Management guidelines on project specific risks.

The focus areas for Risk Management in the financial year were as follows:

1. Ensuring that the Enterprise Risk Management process is integrated with business processes and is effective
2. Risk Management culture is ingrained across all levels of business
3. Risk registers are up to date and current at all times

These focus areas have been addressed and are ongoing management thereof is being performed.

In order to keep abreast of relevant issues in the businesses and to keep management informed and involved, a Risk Management Forum meets on a monthly basis. The Forum consists of the AHL Executive Committee and is chaired by the Manager of the Risk Management department.

The Group acknowledges the need to inform and engage with employees at all levels regarding risks and the management thereof. In order to achieve this various measures have been put in place to communicate with employees and include:

1. Risk Management articles are shared with employees via the Intranet. These articles aim to educate and inform employees about emerging risks and to reinforce risk management principles and awareness.
2. A "Risk Champion" structure has been promoted and employees on all levels will be engaged with more actively via the "Risk Champions"
3. Divisional Executives have regular, dedicated meetings with the Risk Manager to discuss risks.

On a quarterly basis the Internal Audit function and the Risk Management department meet and discuss risk management monitoring, results of testing, assessments and any other information relevant.

With the above Risk Management processes in place the Group has achieved the following improvements with regards to Risk Management:

1. There is now an awareness culture throughout the organisation about Risk Management.
2. The Internal Audit function and Risk Management department work closely together and the business unit Risk Registers are utilised when planning for audits.
3. The Risk Management Forum meetings foster a culture of openly discussing risks and managing them.

The Group recognises that while risk management is the responsibility of all the employees and management and includes all activities, operations and business units within the Group; however, the following key Risk Management Structures are identifiable:

The Risk Management Structures

Board of Directors

Risk Committee

Risk Management Department

Risk Management Forum LGRC | Internal & External Audit | Employees/ Management

The Risk Committee was satisfied that an adequate process for identifying, evaluating and managing significant risks was in place for the year under review and until the date of approval of this Integrated Annual Report and provided these findings to the Board of Directors.

STAKEHOLDER ENGAGEMENT

Whilst all stakeholder relationships are important to our business, the following stakeholders are considered the most material and relevant and thus form the basis for the Group's Integrated Reporting framework and the material issues to be reported on. These stakeholders have been identified by management and are engaged with on an ongoing basis as described further.

	Shareholders	Customers	Employees
Stakeholder information	Shareholders are our valued partners in business who have invested in the Group for its sustainable future. The Group's major Shareholders are actively involved on the Board of Directors and they provide a wealth of knowledge garnered over many years of experience in business and industry. The information distributed by the Group to the market and Shareholders via our various communication methods allows us to keep our Shareholders up to date and also provides the contacts and encouragement for feedback from our Shareholders.	Our customers are pivotal to our sustainability as they provide the cashflow and means for business growth and profit generation. All companies within the Group are focused on our customers and their relationship management by engaging with them consistently and with dedication. Various methods of engagement are used to ensure that our customers receive quality service and the level of satisfaction that they require.	Our most valuable asset is our employees who are a highly skilled and experienced group of individuals. The sustainability of our business depends on our employees as they provide the innovation, service and dedication required to grow our business into the future. With this in mind we engage with our employees on an almost daily basis on one form or another.
Information in this Integrated Annual Report	An understanding of our business and the ongoing, successful performance of the Group, as well the sustainability measures in place, have been reported throughout the Integrated Annual Report.	The products and services available, Group structure, an understanding of our business and successful performance, and our vision, mission and values are reported throughout the Integrated Annual Report.	The growth and sustainability of our business is reflected throughout the Integrated Annual Report. Specific initiatives relating to Employees are reflected on page 62 of the Sustainability Report and the Remuneration Report is available on page 64.
Methods of communication	Company Websites, Meetings, SENS, AGM, Annual Report, Announcements, Analyst meetings on request, dedicated Investor Relations	Customer care departments, Call centres, Review of customer experiences, Quality assurance department, Social media, dedicated Fund Managers, Marketing and advertising, Mobile applications, Company Websites, Walk-in customer centres	Intranet, Roadshows, Training & Development, Open door policy, Induction programmes, Newsletters, Human Capital bulletins, Screen savers, Annual award dinners, Ad hoc meetings and presentations

CORPORATE GOVERNANCE

Corporate Governance Structure

Board of Directors

The Board is ultimately responsible for Corporate Governance and the compliance with applicable rules and regulations.

- Audit Committee
- Risk Committee
- Remuneration and Nominations Committee
- Investment Committee
- Social & Ethics Committee
- Transformation 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.

Philosophy

AfroCentric is a diversified, investment holding Group that is committed to sound corporate governance and compliance with regulations and governance principles.

Corporate governance guides the Directors, management and operations of the Group to instil a culture of responsibility, accountability, integrity, ethics and respect.

Responsibility

The Board of Directors is at all times aware of the importance of sound corporate governance and the correlation between sound corporate governance and profitability.

The Board is of the opinion that the Group complied in all material respects with the provisions of the King Code of Governance Principles ("King III"), the Companies Act and the corporate governance provisions in the JSE Listings Requirements during the year under review and where full compliance has not been achieved, these been disclosed in this report as required.

Corporate Governance Developments

Board of Directors	Appointment of Dr Anna Mokgokong as Chairperson of the Board. She is a highly skilled business woman who will provide great leadership in this role. Refer to page 12 of the Board of Directors page for more information. Appointment of Mr Dewald Dempers as an Executive Director of the Board and Group CEO effective 5 September 2012. Dewald has extensive knowledge of the healthcare industry. His role will provide leadership to the Executive Committee within the business operations and the coordination of proposals that have been developed by the Executive Committee for consideration by the Board. Dewald will also provide further developments to the Group's Strategy for consideration and approval by the Board. Refer to page 12 of the Board of Directors page for more information.
Company Secretary	Statucor (Pty) Ltd has been appointed to assist the Legal, Governance, Risk and Compliance ("LGRC") department with the role of Company Secretary.
Memorandum of Incorporation ("MOI")	The MOI was reviewed against the requirements of the Companies Act as amended. The revised MOI was approved by the JSE and the Board and adopted by Shareholders at the Annual General Meeting ("AGM") held in February 2013.
Compliance audit	The LGRC department now performs an annual audit of compliance by the Group with the requirements of the Companies Act No 71 of 2008 ("Companies Act").
Integrated reporting and compliance	Appointment of a dedicated individual to assist the LGRC with Corporate Governance Compliance and the implementation of Integrated Reporting.
Sponsor audits	AfroCentric's sponsor, Sasfin Bank Limited, performed an audit of Corporate Governance principles and these are to be performed annually.
Remuneration Committee and Reporting	During the year under review, a formalised Remuneration Committee Charter was approved.
Risk Management	Risk Management has been delegated to the operational subsidiary of the Company, AfroCentric Health Limited ("AHL") of which the Company has 94.07%. The Board is satisfied that risk is managed effectively and is informed on potential critical risks in the Group as and when they occur. Internal audits in the Group are risk based and are reported to the Audit Committee.

Board of Directors

The Directors aim to be transparent, impartial and independent when performing the duties of a Director.

The Board's roles and responsibilities are formally documented in their Charter. The AfroCentric Board Charter is aligned to the key principles of King III, the Companies Act, 2008 and the revised MOI of the Company.

Operational responsibility for the Group's subsidiary companies has been delegated to the individual Boards which are accountable for the ongoing management of those businesses.

The Board exercises leadership and judgement in directing the Group to achieve sustainable growth and to act in the best interest of the Group and its stakeholders. The Board Charter clearly sets out the Board's objectives, role and composition, and defines practices relating to leadership, induction, remuneration, meetings, share dealings, communication, internal audit, code of ethics as well as evaluation and performance.

Board Charter

A formal Board Charter defines the roles and responsibilities as follows:

- The Board's composition and procedures for appointments of Directors
- The balance of powers
- The roles and responsibilities of the Board
- The committees of the Board
- Relationship with stakeholders
- Performance of the Board
- Administration of Board proceedings

Board Composition

The Board consists of 10 Directors with a split between 2 Executive salaried Directors and 8 Non-Executives. Of the 8 Non-Executives only 2 are independent. The Board has appointed Mr J Appelgryn as an Independent Non-Executive Director on 17 September 2013.

The recommendation in terms of the King lll and the JSE Listings Requirements is that the majority of Non-Executive Directors be independent and therefore the Board is partially compliant. The Board is satisfied that every 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 these Non-Executive Directors is in the best interest of all stakeholders and that the Non-Executive Directors have the necessary skills and expertise to act in an independent manner that is in the best interests of the Company.

Each Director plays a key role in the functioning of the Group and has highly sought after experience and knowledge of the industry in which AfroCentric trades.

The Directors provide the objectivity and a range of skills and experience necessary for the Board to function effectively.

Risk and Transformation Committees don't operate at the Company level. The Board instead relies on the sub-committees of AHL, the majority subsidiary with a 94.07% shareholding, and entrusts them to function and operate as intended whilst updating the Board as to any material matters.

AfroCentric Committees (Company)

- Audit
- Remuneration & Nominations
- Investment
- Social and Ethics

AHL Committees (subsidiary)

- Risk
- Transformation

As required by King III and the JSE Listings Requirements, the roles of the Chairperson and CEO are separate and clearly defined.

The Chairperson is a Non-Executive Director but is not independent as recommended by King III and the JSE Listings Requirements. The Board is of the opinion that the Chairperson has the necessary skills and expertise to act in the best interests of the Company. The Chairperson has a clear division of her role and responsibilities.

Name	Non-executive	Executive	Independent	Appointment date
AT Mokgokong (Chairperson)	✓	X	X	10 June 2010
NB Bam	✓	X	X	20 December 2005
D Dempers	X	✓	X	05 September 2012
B Joffe	✓	X	X	25 May 2006
JM Kahn	✓	X	X	20 December 2005
WRC Holmes	X	✓	X	23 June 2010
MJ Madungandaba	✓	X	X	10 June 2010
Y Masithela	✓	X	✓	01 September 2011
G Napier	✓	X	✓	01 September 2011
MI Sacks	✓	X	X	20 December 2005

Chairperson

The Chairperson ensures that no single individual has unfettered powers of decision-making and authority, thus ensuring that stakeholder interests are protected.

Per the Board Charter, the primary function of the Chairperson is to preside over meetings and to ensure the proper functioning of the Board.

In addition the Chairperson has the following responsibilities :

- Together with the Company Secretary, formulate a Board work plan with the agreed goals and objectives as determined by the Board
- Oversee the appointment, induction and education of Directors in accordance with legislative requirements, best practice standards and Executive performance management
- Manage the performance of the Group CEO and Group FD through mentorship, support and regular performance dialogue
- Oversee the implementation of succession planning for the Group CEO and senior management
- Oversee the regular evaluation of the performance of the Board and the Directors
- Ensure that all Directors are aware of their fiduciary responsibilities
- Ensure that all relevant information and facts are placed before the Directors to enable them to make informed decisions
- Together with the Group CEO, maintain relations with important stakeholders and stakeholders of the Board.

Board evaluation and performance

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

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 Group.

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

The Directors receive training and development, when required.

The independence of long-serving Non-Executive Directors is informally assessed on an annual basis by the Board, as recommended by King III. The Board concluded that these Directors remain correctly categorised as independent.

A formal evaluation questionnaire has been developed for all Directors and will be implemented in the following financial year, in order to assess performance and independence, if relevant.

Board appointments

Directors are appointed by the Board in a formal and transparent manner. The Remuneration and

Nominations Committee considers suitable candidates and nominates persons for appointment as Directors to the Board.

Non-Executive Directors are selected based on their skills, business experience and qualifications, while gender and racial diversity are also considered in appointing new Directors.

An induction programme exists for newly appointed Directors to familiarise themselves with the Group's operations, structure, sustainability and business environment. The programme also outlines the fiduciary and statutory duties to be performed by the Director.

One-third of the Directors are required to retire by rotation at the AGM of Shareholders, although they may offer themselves for re-election. Directors appointed during the period are required to have their appointments ratified at the following AGM.

Directors have no fixed term of appointment and no retirement age has been fixed.

Board meetings

The Board Charter requires the Board to meet no less than four times a year and additional meetings are convened when necessary.

All Board meetings are convened by formal notice and supporting documentation is distributed to all Directors at least five working days before Board meetings to allow for adequate preparation, and to facilitate more relevant discussion at these meetings.

The Board is entitled to execute Board business, where appropriate, via round robin resolution, to ensure continuity in the Board's relationship with the Company.

Six Directors constitute a quorum at Board meetings, provided that a majority of the Directors present are Non-Executive.

Decisions taken at Board meetings are decided by a majority of votes, with each Director having one vote.

Directors have full access to all Group information and are entitled to obtain independent professional advice at the Group's expense, after consulting with the Chairman. Directors also have direct access to management and may meet with management.

	25 September 2012	8 March 2013	25 June 2013
AT Mokgokong (Chairperson)	X	✓	✓
NB Bam	X	✓	✓
D Dempers	✓	✓	✓
WRC Holmes	✓	✓	✓
B Joffe	X	X	X
JM Kahn	X	✓	X
MJ Madungandaba	✓	✓	✓
Y Masithela	✓	✓	X
G Napier	✓	✓	✓
MI Sacks	✓	✓	✓

Conflicts of interests

Directors are required to declare their personal financial interests, and those of related persons, annually, in terms of the Companies Act and the MOI.

Based on these declarations, no Directors had a material interest in any transaction with the Group during the financial period, other than the interests disclosed in Note 40.2 on page 182 of the annual financial statements and shareholding as per the Shareholders' Analysis on page 102.

Trade in shares

The Company Secretary annually advises Directors of the relevant provisions of the Financial Markets Act 19 of 2012 and the JSE Listings Requirements regarding the prohibitions regarding dealing in the Company's shares or encouraging dealing by others, while in possession of non-public, price-sensitive information, or disclosing this information.

Directors are prohibited from dealing in the Group's shares during two formal closed periods. The closed periods commence approximately 2 weeks before the end of the interim (December) and annual (June) financial periods and end 24 hours after the financial results are disclosed on the JSE's news service, SENS.

Restrictions may also be placed on share dealings at any other time if Directors have access to price-sensitive information which is not in the public domain.

All share dealings by Directors, Executives, the Company Secretary and of designated persons in possession of price-sensitive information, require prior written approval. In terms of the JSE Listings Requirements, the Company Secretary is advised of the share dealings by the Directors and notifies the JSE and the investment community through SENS within 48 hours of the trade being effected.

Insurance

The Group provides Directors and officers liability insurance to cover any events where they could be held personally liable to the Group or where they could be held liable to external parties whilst transacting on the Group's behalf.

The liability insurance covers instances of negligence, default or a breach of duty or trust. The cover excludes liability resulting from criminal, reckless or fraudulent behaviour.

The cover provided is reviewed annually to ensure that it is appropriate.

Company Secretary

Yolandi van Zweel was appointed the Company Secretary on 19 October 2012. Yolandi practiced as an attorney, is the head of the Group's LGRC department and a Member of the Executive Committee. Further information relating to her credentials can be obtained on page 33 of the Executive Committee section.

On 3 June 2013 the independent company, Statucor (Pty) Ltd, was appointed to provide the services of the Company Secretary.

The Directors have direct access to the Company Secretary, who provides guidance to the Board as a whole and to individual Directors with regard to how their responsibilities should be discharged.

The Company Secretary is responsible for the induction of new Directors and the ongoing training of all Directors.

Assistance is provided to the Chairman and CEO in setting the annual Board plan and Board agendas as well as in formulating governance and Board-related issues.

The Board has performed an assessment, conducted by the Chairman, and is of the opinion that the Company Secretary has the required competence, knowledge and experience to carry out the duties and responsibilities and is suitably independent of the Board.

Compliance

The Group has a dedicated Legal, Governance, Risk and Compliance department. For further information about the department and its role and responsibilities, please refer to page 80.

The Group is not aware of any material issues of non-compliance during the year under review.

Currently all Board and Committee Charters are being reviewed and updated for the next financial year.

Remuneration

Details on the Group's remuneration policies are disclosed in the Remuneration Report on pages 76 to 79.

Board Committees

The AfroCentric Board takes cognisance of the fact that it is ultimately accountable and responsible for the performance and affairs of the Group.

The Board delegated certain authorities to the Board Committees in order to manage the affairs of the Board, but this in no way absolves the Board, and its Directors, from the obligation to carry out their fiduciary duties and responsibilities.

All Board Committees operate under written terms of reference (the Charter) which is approved by the Board.

Each quarter, all Committee Chairpersons report to the Board, either with a written report or verbally, on recent committee activities.

Board Committees are permitted to receive independent, professional advice, as and when deemed necessary. There is full disclosure and transparency from these Committees to the Board.

Audit Committee

Charter duties and responsibilities	Composition
• 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	**Chairperson** Y Masithela Independent Non-Executive Director **Other committee members** 1 Independent Non-Executive Director 2 Executive Directors 1 Non-Executive Director King III and the Companies Act require that the Committee comprises at least three independent Non-Executive Directors including the Chairperson. The Group now complies, as the Board has appointed a third Independent Non-Executive Director to the committee post year-end. **Frequency of meetings** Ad hoc as required, at least twice a year
The Audit Committee has at all times acted in an independent manner and the Members collectively possess the knowledge and experience necessary to diligently execute their responsibilities.	
The Audit Committee Report is available on page 114 of this Integrated Annual Report.	

Meeting attendance

	21 September 2012	8 March 2013	25 June 2013
G Napier	✓	✓	✓
Y Masithela	✓	✓	✓
MI Sacks	✓	✓	✓
D Dempers (CEO)	✓	✓	✓
WRC Holmes (CFO)	✓	✓	✓

Risk Committee

Charter duties and responsibilities	Composition
The Risk Committee exists only at the AfroCentric Health level as this is where the management of risks is required for the operating activities of the Group. Any significant risks identified by the AHL Risk Committee are escalated to the ACT Audit Committee.	
• Together with the Company's Risk Manager, review any and all Risks that could have a significant impact on the Company's business; • Review the Risk Management reports with regards to the adequacy and overall effectiveness of the Company's risk management function and its implementation by management. Review risk in its widest sense including the following: Technology risk; Disaster recovery plan; Operational risk; Prudential risk; Reputational risk; Competitive risk; Legal risk; Compliance and control risk; Concentration of risk across a portfolio dimensions; Asset valuation risk; Other appropriate risk to the Company. • Review insurance cover adequacy; • Review risk identification and measurement methodologies; • Monitor processes and procedures to deal with and review the disclosure of information to clients; and • Formulate criteria for the appointment of a Risk Manager and terms of reference for the Risk Management Department.	**Chairperson** M Mashigo Independent Non-Executive Director **Other committee members** 2 Executive Directors 1 Independent Non-Executive Director King III and the Companies Act require that the Committee comprises majority Independent Non-Executive Directors including the Chairperson. The Group does not comply with these requirements and accepts the composition of the Committee due to the circumstances described on page 86 of this report. **Frequency of meetings** Ad hoc as required, at least twice a year
The Risk Committee Report is available on page 80 of this Integrated Annual Report.	

Remuneration and Nominations Committee

Charter duties and responsibilities	Composition
• To make recommendations on all new Board appointments. The Committee is tasked with developing a formal process for reviewing the balance and effectiveness of the Board, identifying the skills needed, and those individuals that might provide such skill, in a fair and thorough manner, thus ensuring that the Board remains effective and focused. • To develop a policy on executive remuneration and for determining the remuneration packages of individual Directors and senior management. In order to achieve this, the Committee should have access to independent surveys and consultants. The Committee's function with regard to the remuneration of non-executives, for reasons of self-interest, should be limited to making recommendations to the Board and, if applicable, to the shareowners. The financial reward offered by a company should be sufficient to attract people of the required calibre. The Committee shall: 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 and the Chief Executive Officer; • 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; • Liaise with the Board in relation to the preparation of the Committee's report to Shareholders, as required.	**Chairperson** JM Kahn Non-Executive Director **Other committee members** 3 Non-Executive Directors King III and the Companies Act require that the Committee comprises majority independent Non-Executive Directors including the Chairperson. The Group does not comply with these requirements and accepts the composition of the Committee due to the circumstances described on page 86 of this report. **Frequency of meetings** Ad hoc as required, at least twice a year

Remuneration and Nominations Committee (continued)

Charter duties and responsibilities	Composition
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. This general policy will be advised to Shareholders in order for such Shareholders to pass a non-binding advisory vote on AfroCentric's yearly remuneration policy; • 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 Directo''s 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 co-ordinate 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; • 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; and • To formulate and recommend a corporate Statement of Remuneration Philosophy which will be reported in the Company's Annual Report.	

The Remuneration Report is available on page 76 of this Integrated Annual Report.

Meeting attendance

	8 March 2013	26 June 2013
MI Sacks	✓	✓
JM Kahn	✓	X
MJ Madungandaba	✓	✓

Investment Committee

Charter duties and responsibilities	Composition
Considering: • Commitments, acquisitions or disposals in the Group • Initial investments in the Group • Any other investment above the amount of R5 million	**Chairperson** MI Sacks Non-Executive Director
Performing such other investment related functions as may be designated by the Board from time to time; and	**Other committee members** JM Kahn – Non-Executive Director MJ Madungandaba- Non-Executive Director B Joffe – Non-Executive Director
Considering the viability of the capital project and/or acquisition and/or disposal and the effect it may have on the Group's cash flow, as well as whether it will align to the Group's overall strategy;	**Frequency of meetings** Ad hoc when required During the year, informal, regular meetings were held.
Ensuring that due diligence procedures are followed when acquiring or disposing of assets.	

No material acquisitions satisfied the investment criteria of the Committee, during the period under review, and thus none were approved.

Social and Ethics Committee

Charter duties and responsibilities	Composition
• to monitor the Company's activities, having regard to relevant legislation, codes of the practice, and with regard to matters relating to – • social and economic development, including the Company's standing in terms of the goals and purposes of –	**Chairperson** Y Masithela Independent Non-Executive Director
• the 10 principles set out in the United Nations Global Compact Principles; • the OECD recommendations regarding corruption; • the Employment Equity Act; • the Broad-Based Black Economic Empowerment Act;	**Other committee members** 1 Independent Non-Executive Director 1 Non-Executive Director
• good corporate citizenship, including the Company's – • promotion of equality, prevention of unfair discrimination, and reduction of corruption; • contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; • record of sponsorship, donations and charitable giving;	G Napier was appointed Chairperson on 16 September 2013 King III and the Companies Act require that the Committee comprises majority independent Non-Executive Directors including the Chairperson.
• the environment, health and public safety, including the impact of the Company's activities and of its products or services; • consumer relationships, including the Company's advertising, public relations and compliance with consumer protection laws; • labour and employment, including;	**Frequency of meetings** Bi-annually Additional meetings when required
• the Company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; • the Company's employment relationships, and its contribution toward the educational development of its employees;	
• to consult with the Company's Social and Ethics Advisory Panel with respect to any matter within the mandate of the committee; • to draw matters within its mandate to the attention of the Board as occasion requires: • to report annually to the Shareholders at the Company's Annual General Meeting on the matters within its mandate.	

The Social and Ethics Committee report is available on page 60 of this Integrated Annual Report.

Meeting attendance

	6 November 2012	24 June 2013
NB Bam	✓	✓
Y Masithela	✓	✓
G Napier	✓	✓

Transformation Committee

Charter duties and responsibilities	Composition
The Committee exists only at the AfroCentric Health level as this is where the management of transformation and BEE is required for the operating activities of the Group. For further information on transformation refer to page 60 of the Sustainability Report.	
The Transformation Committee is responsible for driving transformation and BEE compliance across the Group. Monitoring and reporting on our performance against the BEE scorecard Identifying any out of line situations, identifying the cause and agreeing on an action plan to remedy the out of line situation. Measure our performance against our key competitors Report on implemented initiatives and projects, progress and whether the initiatives assist us in achieving our transformation objectives.	**Chairperson** Y Motsisi Executive Director – Medscheme Holdings: Branding and Communication **Other committee members** 1 Independent Non-Executive Director 8 Executive Directors During the year the Committee appointed 2 Executive Directors. **Frequency of meetings** Ad hoc as required, at least twice a year

Internal Audit

1. The Internal Audit function is governed by an Internal Audit Charter which is approved by the AfroCentric Audit Committee and is reviewed annually. The Charter defines the purpose, authority and responsibilities of the function.

2. The Head of Internal Audit reports at each Audit Committee meeting and has a direct reporting line to the Chairman of the Audit Committee. The Internal Audit Function operates independently of executive management and the head of Internal Audit is responsible for coordinating Internal Audit activities. For administrative purposes the head of Internal Audit also reports to the head of LGRC. The Internal Audit Function complies with the International Standards for the Professional Practice of Internal Auditing.

3. On an annual basis, Internal Audit conducts a formal risk assessment of the entire business from which a comprehensive risk-based audit plan is derived. The assessment and audit plan are validated by executive management and approved by the AfroCentric Audit Committee. High risk businesses and processes are audited at least once annually, with other areas covered at regular intervals based on their risk profile. There is an ongoing focus on auditing technology risks given AfroCentric's dependence on IT systems. Internal Audit also liaises with the external Auditors and other assurance providers to enhance efficiencies in terms of combined assurance. The annual plan is reviewed at least once every quarter to ensure it remains relevant and responsive to key emerging risks, given changes in the operating environment. The audit committee approves any changes to the plan.

4. Internal Audit proactively reviews its practices and resources for adequacy and appropriateness, to meet the increasingly demanding corporate governance and regulatory environment including the requirements of King III in South Africa. The audit team comprises well-qualified, experienced staff to ensure that the function has the competence to match AfroCentric's diverse requirements. Where specific specialist skills or additional resources are required, these are obtained from third parties. Internal audit resources are subject to review by the AfroCentric Audit Committee.

5. In accordance with our core values, AfroCentric Internal Audit endeavours to comply with the highest professional standards of integrity, sound practice and transparency in order to build trust and maintain the interests of client schemes and Shareholders at the forefront of our corporate agenda.

04

Information Security and Governance

Information security and governance forms a key control in our Group as our services and products rely heavily on Information Technology ("IT"), systems and processes.

The responsibility of IT Governance exists within the portfolios of the Audit Committee as well as the Risk Committee.

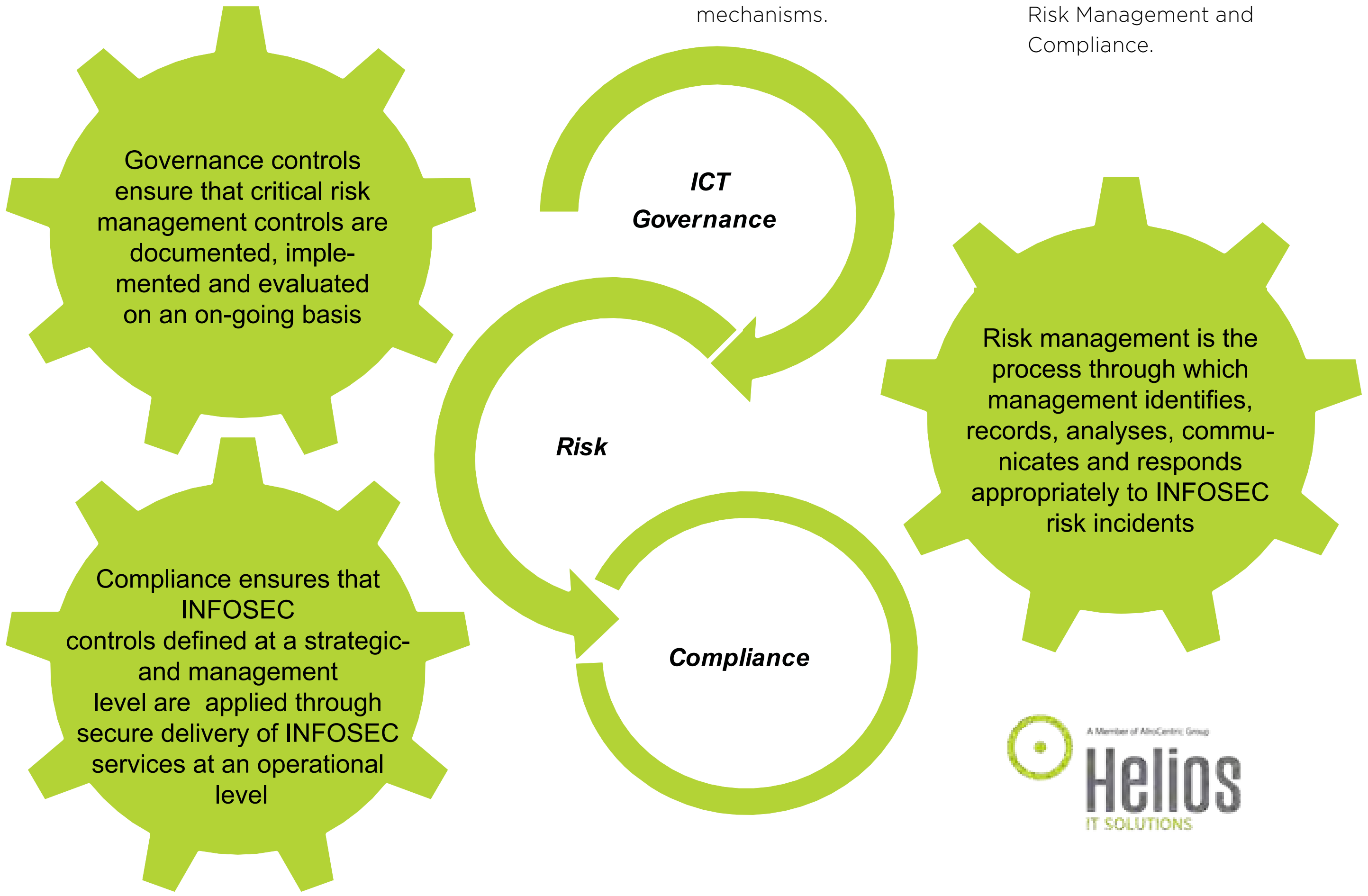
The Group's IT subsidiary, Helios, provides the information security and Governance for the AHL level of businesses, whilst the testing of these controls is performed by external and internal audit.

The Helios Information Security ("INFOSEC") Programme follows a formal methodology and approach as it relate to policy, process, procedures and the mechanisms used to execute such a programme. It includes the entire process of investigation, selection, approval, implementation and evaluation of processes and mechanisms.

It also includes all the necessary controls that are required to protect the Information Assets, Systems and Technology against accidental or deliberate threats to ensure that appropriate protection is applied to protect the confidentiality, integrity and availability of the information.

The Helios INFOSEC Programme will be supported by the INFOSEC Control Framework which will not only assist in identifying and mitigating the INFOSEC risks, but also to improve business processes and profits which is divided into Governance, Risk Management and Compliance.

Governance, Risk and Compliance



KING III GAP ANALYSIS

Principal number	Description	Exception where there is partial compliance	Mitigating factors and management plan where applicable
2.16	The Board should elect a Chairman of the Board, who is an independent Non-Executive Director.	The Chairperson is a Non-Executive Director but is not independent.	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 interest of the Company. The Chairperson has a clear division of her role and responsibilities.
2.18	The Board should comprise a balance of power, with a majority of Non-Executive Directors. The majority of Non-Executive Directors should be independent.	The majority of Non-Executive Directors are not independent.	The Board is satisfied that 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 these Non-Executive Directors is in the best interest of all stakeholders and that the Non-Executive Directors have the necessary skills and expertise to act in an independent manner that is in the best interests of the Company.
2.22	The evaluation of the Board, its committees and the individual Directors should be performed every year.	The evaluation has been done informally.	Formal Board evaluation has been scheduled to take place during the next financial year.
2.27	Shareholders should approve the Company's Remuneration Policy.	Only the remuneration of Directors have been formally approved.	The Company's remuneration policy will be formalised to include its two current employees.
3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	The evaluation has been done informally	Formal Board evaluation has been scheduled to take place during the next financial year.
5.1	The Board should be responsible for information technology ("IT") governance.	Formal IT Governance structures are in place but currently the Group is working on updating its policies and frameworks to formally include ethical IT governance and awareness in a common IT language.	Formal IT Governance structures are in place but currently the Group is working on updating its policies and frameworks to formally include ethical IT governance and awareness in a common IT language.
5.2	IT should be aligned with the performance and sustainability objectives of the Company.	IT is informally aligned with the performance and sustainability objectives of the Company	The alignment of IT with the performance and sustainability objectives of the Company will be formalised.
9.3	Sustainability reporting and disclosure should be independently assured.	Sustainability reporting and disclosure is dealt with internally by management, the Social and Ethics Committee and the Board.	Independent assurance is planned for the next financial year.

"... the levels of attention paid to the management of service levels is commendable and a testament to the competency of staff. This sterling service has been complemented by a strong focus on client relationship management."

Julia le Roux - Principal Officer : Nedgroup Medical Aid Scheme

"Medscheme provides administrative services to the Horizon Medical Scheme. We find the service rendered to be very professional, provided by competent, qualified and willing staff. This all completed with exemplary levels of service."

Roy Ansell - Principal Officer : Horizon Medical Aid Scheme

"Thank you for the great service. It is indeed a pleasure to talk with a service agent that understands not only the customer's needs, but also speaks the language of the customer."

Sasolmed member

SHAREHOLDERS' ANALYSIS

ORDINARY SHAREHOLDERS

Shareholder spread	No. of Shareholders	%	No. of shares	%
1 – 10 000 shares	3 382	70.09	11 546 674	4.28
10 001 – 25 000 shares	972	20.15	14 858 225	5.50
25 001 – 50 000 shares	239	4.95	9 141 365	3.39
50 001 – 100 000 shares	114	2.36	8 802 085	3.26
100 001 – 500 000 shares	85	1.76	17 056 469	6.32
500 001 – 1 000 000 shares	9	0.19	5 976 743	2.21
1 000 001 shares and over	24	0.50	202 629 078	75.04
	4 825	**100.00**	**270 010 639**	**100.00**

Distribution of Shareholders	No. of Shareholders	%	No. of shares	%
Individuals	4 389	90.96	66 492 631	24.63
Nominees and trusts	208	4.31	47 752 897	17.68
Other corporate bodies	110	2.28	99 908 097	37.00
Private companies	76	1.58	55 516 563	20.56
Close corporations	42	0.87	340 451	0.13
	4 825	**100.00**	**270 010 639**	**100.00**

Public/non-public Shareholder spread	No. of Shareholders	No. of shares	%
2013			
Non-public Shareholders			
Directors	6	115 442 621	42.76
Associate of Directors	2	7 360 000	2.73
Shareholders owning 10% or more of the securities (excluding Directors' indirect beneficial holdings)	2	70 998 327	26.29
Public Shareholders	4 815	76 209 691	28.22
	4 825	**270 010 639**	**100.00**
2012			
Non-public Shareholders			
Directors	7	114 722 746	42.77
Associate of Directors	2	7 360 000	2.74
Shareholders owning 10% or more of the securities (excluding Directors' indirect beneficial holdings)	2	73 498 327	27.40
Public Shareholders	3 669	72 650 744	27.09
	3 680	**268 231 817**	**100.00**

ORDINARY SHAREHOLDERS

Major Shareholders holding more than 5% of the issued ordinary share capital	No. of shares	%
2013		
Community Investment Holdings	50 526 916	18.71
Golden Pond 175 (Pty) Ltd	36 571 127	13.54
AfroCentric Empowerment Trust	34 427 200	12.75
Community Healthcare Holdings (Pty) Ltd	30 878 043	11.44
	152 403 286	**56.44**
2012		
Community Investment Holdings	49 426 916	18.43
Golden Pond 175 (Pty) Ltd	36 571 127	13.63
AfroCentric Empowerment Trust	36 927 200	13.77
Community Healthcare Holdings (Pty) Ltd	30 878 043	11.51
	153 803 286	**57.34**

Background to our shareholding structure:

In 2006 AfroCentric embarked on a restructuring and recapitalisation programme.

At that time, two beneficiaries – which represented a broad base of historically disadvantaged South Africans ("HDSA's") – were invited to participate via the formation of the AfroCentric Empowerment Trust ("ACET"). As part of the recapitalisation programme ACET acquired 51% of the AfroCentric ordinary share capital.

The two beneficiaries of ACET are the South African Council of Churches and the Fort Hare Foundation. Both of these institutions play a pivotal role in the transformation of our country.

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 substantial HDSA's or of HDSA parentage.

PREFERENCE SHAREHOLDERS

Shareholder spread	No. of Shareholders	%	No. of shares	%
1 – 10 000 shares	114	73.08	334 978	2.01
10 001 – 25 000 shares	19	12.18	336 428	2.02
25 001 – 50 000 shares	6	3.85	259 445	1.56
50 001 – 100 000 shares	3	1.92	213 194	1.28
100 001 – 500 000 shares	8	5.13	2 060 307	12.38
500 001 – 1 000 000 shares	2	1.28	1 178 704	7.08
1 000 001 shares and over	4	2.56	12 254 944	73.67
	156	**100.00**	**16 638 000**	**100.00**

Distribution of Shareholders	No. of Shareholders	%	No. of shares	%
Individuals	126	80.77	9 512 117	57.17
Nominees and trusts	14	8.97	3 128 191	18.80
Other corporate bodies	8	5.13	550 975	3.31
Private companies	6	3.85	3 400 947	20.44
Close corporations	2	1.28	45 770	0.28
	156	**100.00**	**16 638 000**	**100.00**

Public/non-public Shareholder spread	No. of Shareholders	No. of shares	%
2013			
Non-public Shareholders			
Directors	2	7 572 962	45.52
Associate of Directors	1	2 548 182	15.32
Shareholders owning 10% or more of the securities (excluding Directors' indirect beneficial holdings)	2	4 684 982	28.16
Public Shareholders	151	1 831 874	11.00
	156	**16 638 000**	**100.00**
2012			
Non-public Shareholders			
Directors	2	7 569 962	45.50
Associate of Directors	1	2 548 182	15.32
Shareholders owning 10% or more of the securities (excluding Directors' indirect beneficial holdings)	1	3 136 800	18.85
Public Shareholders	142	3 383 056	20.33
	146	**16 638 000**	**100.00**

PREFERENCE SHAREHOLDERS

Major Shareholders holding more than 5% of the issued preference share capital	No. of shares	%
2013		
JM Kahn	3 784 981	22.75
MI Sacks	3 787 981	22.77
JDL Trust	2 548 182	15.31
Eagle Creek Investments 605 (Pty) Ltd	2 136 800	12.84
	12 257 944	**73.67**
2012		
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
	13 254 944	**79.66**

A detailed analysis of Directors' shareholdings is available on page 108 of the annual financial statements.

Dewald Dempers holds a material interest in Duelco Investments 65 (Pty) Ltd which holds 127 052 preference shares in ACT at year end.

05

DIRECTORS' REPORT

The AfroCentric Board of Directors present their annual report for the year ended 30 June 2013.

Nature of business

The Company is a black-owned, diversified investment holding company which is listed on the JSE and trades under the Healthcare Sector under code ACT.

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

Business activities

The business activities of the Group are segmented into three diversified areas – AfroCentric Health, AfroCentric Technology and AfroCentric Resources.

AfroCentric Health

The majority stake held by AfroCentric ("the Company") in AHL increased by 0.9% during the year due to continued engagement with AHL Shareholders who offer their shares for sale. The shareholding in AHL as at 30 June 2013 was 94.07% (2012 : 93.17%).

AHL is one of the three areas of diversification for the Group. AHL owns 100% shareholding in the following subsidiaries:

Medscheme Holdings (Pty) Ltd

A well known and growing multi-medical aid scheme administrator.

Helios IT Solutions (Pty) Ltd

Originally part of Medscheme, this business has now been independent and stand-alone for one financial year. The subsidiary provides health-centric technology solutions.

Aid for Aids Management (Pty) Ltd

Specialists in AIDS related treatments for medical aids and corporate clients.

The business received accreditation from the Council for Medical Schemes in May 2012 and has been transferred out of Medscheme to form a new subsidiary.

AfroCentric Technology

Jasco Electronics Holdings Ltd

The Company holds a 27.3% minority interest in Jasco Electronics Holdings Limited ("Jasco").

Jasco is listed in the JSE and provides solutions, services and products to customers through three core divisions namely Information and Communication Technologies ("ICT"), Industry Solutions ("Industry") and Energy Solutions ("Energy").

- ICT Solutions contains the telecommunications and information technology businesses of Jasco, Spescom, ARC Telecoms and the telecommunications arm of associate M-TEC.
- Industry Solutions contains the Security business and FerroTech.
- Energy Solutions contains Electrical Manufacturers and Lighting Structures, as well as the energy arm of M-TEC.

This associate business diversifies the AfroCentric Technology area of the Group's interests.

AfroCentric Resources

Rio Tinto Plc

Rio Tinto Plc is the third area of diversification for the Group under the AfroCentric Resources area. Rio Tinto is a world leader in exploration, mining and processing the earth's mineral resources. AfroCentric has an exploration and prospecting relationship with Rio Tinto in terms of the Reciprocal Strategic Co-Operation Agreement.

Financial review

For the 2013 financial year, consolidated Revenue increased by 22.2% to R1.8 billion.

This, together with monitoring and control over expenditure, led to a reciprocal Profit Before Tax improvement of 20.6% to R268.9 million (2012 : R222.9 million) year on year.

The Group Headline Earnings decreased by 12.9% to R129.6 million compared to R148.8 million in the prior year and the Diluted Earnings Per Share decreased by 30.97% to 36.11 cents per share (2012 : 52.31 cents per share).

The activities and results of the Group are presented on pages 115 to 185.

Profit warranty and second tranche payments

After a comprehensive analysis of AHL's profits after tax for the years 2011, 2012 and this 2013 financial year, measured in terms of the tailored definition of profit after tax, the Board are pleased to report that a level of 90% of the profit warranty was attained over the measurement period. The formula applied for the release of the second tranche issue of shares, on this level of attainment, dictates that 80% of the contingent shares be issued to vendor Shareholders as defined. Accordingly, 100 805 395 shares in respect thereof will be issued.

The second tranche cash payment of approximately R26 million in the aggregate is based on the same percentage of shares to be issued to vendor Shareholders and will be paid simultaneously with the release of the second tranche shares. This payment is made up of the aggregate distributions by the Company to ordinary Shareholders during the warranty period. The actual amount payable may vary depending on the date on which vendor Shareholders offered their AHL (Lethimvula) shares to the Company for sale.

The second tranche shares and second tranche cash payments are expected to be issued and paid respectively in November 2013 and the Company will, in due course, advise Shareholders through announcements on SENS and in major newspapers regarding the processes to be applied for this purpose.

Going concern

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

Dividends

In respect of the 2012 financial year a final dividend of 10.5 cents per ordinary share (gross) and 29.8 cents per preference share (gross) was paid to Shareholders on 18 December 2012.

The Company declared a dividend of 15 cents per ordinary share for the year ended 30 June 2013. These dividends are subject to the Dividends Withholding Tax in terms of the Income Tax Act (Act No 58 of 1962 amended) for which Shareholders are liable.

The Company did not consider a dividend to preference Shareholders due to the fact that the preference Shareholders will have converted their preference shares to ordinary shares by the time the dividend would have been payable.

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

- the dividends have been declared out of profits available for distribution
- the local Dividends Withholding Tax rate is 15%
- the gross dividend amount is 15 cents per ordinary share
- the STC credits available for utilisation is 1.36 cents per ordinary share
- STC credits to be utilised during this current dividend cycle is 1.36 cents per ordinary share
- given the use of the STC credits, the Dividend Withholding Tax is calculated at 2.05 cents, resulting in a net cash dividend of 12.95 cents per ordinary share for those Shareholders who are not exempt from Dividends Tax
- for purposes of the distribution 468 018 863 ordinary shares will be deemed to be in issue on the dividend record date
- the Company has 270 010 639 ordinary shares in issue on declaration date
- the Company has 16 638 000 preference shares in issue on declaration date
- The Company's income tax reference number is 9600/148/71/3.

Director's name	Date of appointment	Designation
AT Mokgokong (Chairman)	10 June 2010	Non-executive
NB Bam (Non-Executive)	20 December 2005	Non-executive
JM Kahn	20 December 2005	Non-executive
MI Sacks	20 December 2005	Non-executive
B Joffe	25 May 2006	Non-executive
WRC Holmes	23 June 2010	Executive, salaried
MJ Madungandaba	10 June 2010	Non-executive
Y Masithela	1 September 2011	Independent non-executive
G Napier	1 September 2011	Independent non-executive
D Dempers	5 September 2012	Executive, salaried

Directors' ordinary shareholdings 2013

Director	Direct beneficial	Indirect beneficial	Held by associate	Total	%
AT Mokgokong (Chairman)	1 707 926	31 386 294	–	33 094 220	12.26
NB Bam (Non-Executive)	150 000	–	–	150 000	0.06
JM Kahn	5 002 250	600 000	–	5 602 250	2.07
MI Sacks	2 259 925	–	3 760 000	6 019 925	2.23
B Joffe	–	–	3 600 000	3 600 000	1.33
WRC Holmes	–	–	–	–	–
MJ Madungandaba	–	73 234 685	–	73 234 685	27.12
Y Masithela	–	–	–	–	–
G Napier	–	–	–	–	–
D Dempers	79 861	1 021 680	–	1 101 541	0.41
	9 199 962	106 242 659	7 360 000	122 802 621	45.48

Directors' ordinary shareholdings 2012

Director	Direct beneficial	Indirect beneficial	Held by associate	Total	%
NB Bam (Chairman)	150 000	–	–	150 000	0.06
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	12.33
MJ Madungandaba	–	73 150 773	–	73 150 773	27.27
Y Masithela	–	–	–	–	–
G Napier	–	–	–	–	–
D Dempers	79 861	1 021 680	–	1 101 541	0.41
	9 199 962	105 522 784	7 360 000	122 082 746	45.51

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

A further, detailed analysis of Shareholders including majority shareholding is available on pages 102 to 105.

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

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

Directors

The following information relates to the Directors of AfroCentric for the financial year ending 30 June 2013:

Remuneration of Non-Executive Directors and Board Committee Members for 2013

Director	Fee R'000
AT Mokgokong (Chairman)	725
NB Bam (Non-Executive)	128

Remuneration of Non-Executive Directors and Board Committee Members for 2013 (continued)

JM Kahn	*
MI Sacks	*
B Joffe	*
MJ Madungandaba	657
Y Masithela	180
G Napier	191

*Messrs Kahn, Sacks and Joffe waived their rights to receive any Directors' fees.

Remuneration of Executive and Non-Executive Directors for 2013

Details of the remuneration are set out fully in Note 31 of the Group Annual Financial Statements.

Remuneration of the three highest paid employees who are not Directors for 2013

Employee	Annual Cost to Company R'000	Executive share allocation R'000	NET R'000
A Meyer	4 521	2 598	7 119
K Aron	3 355	1 811	5 166
T Rametse	2 865	866	3 731

Share capital

The Company's share capital increased during the year from 268 231 817 to 270 010 639 ordinary shares due to the issuing of AfroCentric ordinary shares as payment for the purchase of AHL shares offered to ACT by AHL minority Shareholders.

The details of the Company's share capital are set out on Note 20 of these annual financial statements.

As per the Companies Act No 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.

Share repurchases

During the year, no share repurchases were made by the Company. AfroCentric Health Limited holds 580 874 treasury shares.

Audit and risk committees

The information relating to the Audit and Risk Committees is set out on pages 90 and 91.

Company secretary and registered office

During the year, the role of Company Secretary was outsourced to Statucor (Pty) Ltd ("Statucor") and the appointment was approved by the Board on 3 June 2013. The Board considers Statucor to be suitably qualified for the position.

Statucor is a long established company secretarial firm with experience working with listed companies.

The Board is satisfied that Statucor (Pty) Ltd complies with Section 87 of the Companies Act and that the Statucor team has the necessary skills and experience to be appointed as its Company Secretary. The Statucor team has an arm's length relationship between itself and the Board, as required.

The contact details of the Company Secretary and Registered Office are available on the Administration and Contacts page.

Material resolutions

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

- General approval to repurchase shares
- Inter-company loans and other financial assistance
- Fees payable to Non-Executive Directors

Details of these resolutions can be obtained on request.

Material commitments, lease payments and contingent liabilities

No material capital commitments or lease payments have been contracted for or approved by the Board of Directors.

No contingent liabilities exist at the balance sheet date.

Litigation statement

In terms of the JSE Listings Requirements the Directors note that they are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position, apart from the matters per note 39 of the annual financial statements.

Borrowing powers

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

Insurance

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

Compliance

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

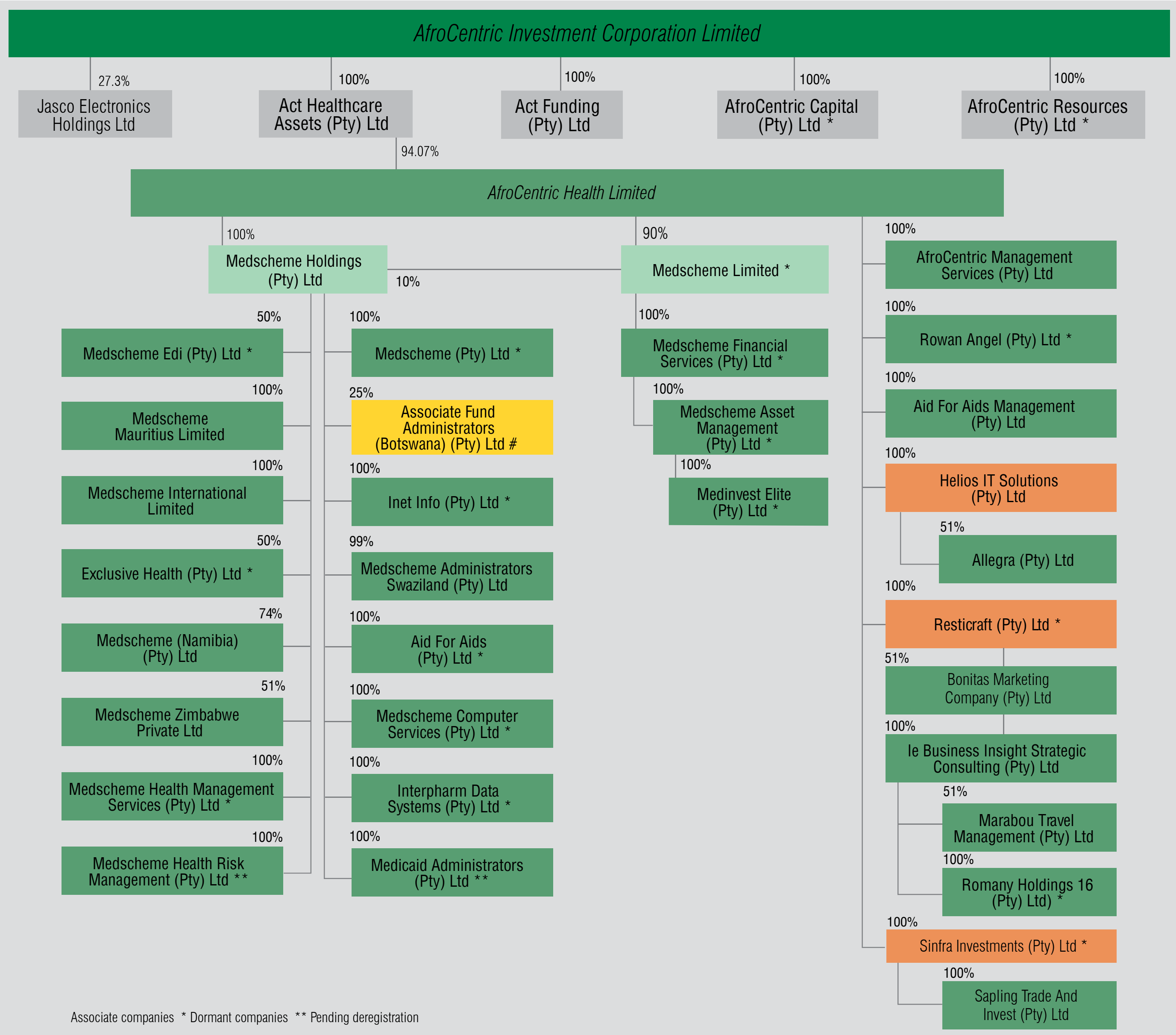
05

Auditors

SizweNtsalubaGobodo Inc are available to continue providing auditing services to the Company in accordance with Section 90 of the Companies Act No 71 of 2008.

The Company's interest in subsidiaries and associates

Subsidiary	Associate	Nature of business	Issued ordinary share capital R'000	June 2013 %	June 2012 %
AfroCentric Resources (Pty) Ltd		Dormant	Less than R1 000	100.00	100.00
AfroCentric Capital (Pty) Ltd		Dormant	Less than R1 000	100.00	100.00
ACT Healthcare Assets (Pty) Ltd		Holding	Less than R1 000	100.00	100.00
ACT Funding (Pty) Ltd		Financing	Less than R1 000	100.00	100.00
	Jasco Electronics Holdings Limited	ICT, Industry and Energy	146 399	27.30	27.30



05

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of the Group as presented on pages 115 to 185. These annual financial statements have been prepared in accordance with IFRS, the Companies Act and the JSE Listings Requirements; and include amounts based on judgements and estimates made by management.

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

Based on results of the reviews of the internal financial controls conducted by the internal audit function during the 2013 financial year and considering the information and explanations provided by management and discussions with the external auditor on the results of the audit, and assessed by the Audit Committee, nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of the overall system of controls has occurred during the period under review.

The going concern basis has been adopted in preparing the annual financial statements. The Directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on review of forecasts and budgets and available cash resources. The annual financial statements support the viability of the Company and the Group. Furthermore the Group has secured banking facilities which are in excess of the Group's funding requirements for the foreseeable future.

The annual financial statements have been audited by SizweNtsalubaGobodo Inc, an independent accounting and auditing firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Shareholders, the Board of Directors and Committees of the Board. The Directors believe that all representations made to the auditor during the audit were valid and appropriate.

The audit opinion of SizweNtsalubaGobodo Inc appears on page 113.

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

The annual financial statements have been approved by the Board of Directors and signed on 26 September 2013.

Mr Michael (Motty) Sacks
Founder

Mr Dewald Dempers
Group CEO

DECLARATION BY COMPANY SECRETARY

05

In terms of section 88(2)(e) of the Companies Act No 71 of 2008, I declare that to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act No 71 of 2008 and that all such returns are true, correct and up to date.

Yolandi van Zweel
Company Secretary (up until 2 June 2013)

26 September 2013

Statucor (Pty) Ltd
Company Secretary (from 3 June 2013)

26 September 2013

INDEPENDENT AUDITORS 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 2013, 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 115 to 185.

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 2013, 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.

Other reports required by the Companies Act

As part of our audit of the annual financial statements for the year ended 30 June 2013, we have read the Director's Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

SizweNtsalubaGobodo Inc
A. Mthimunye
Registered Auditor
Johannesburg

26 September 2013

AUDIT COMMITTEE REPORT

for the year ended 30 June 2013

05

This report is presented by the Audit Committee (herein referred to as "the Committee") in terms of section 94(7) (f) of the Companies Act No 71 of 2008.

The roles and responsibilities of the Committee as well as the Committee composition are presented on page 10 of the annual financial statements.

Annual financial statements and internal controls

The Committee has evaluated the information provided to it by management, the external auditors and various assurance functions including the Internal Audit function.

Based on this evaluation and consideration of all the findings the Committee has concluded that there has been no material breakdown in the Group's overall control systems, that the internal controls form a reasonable basis for the preparation of reliable annual financial statements and that the annual financial statements are a true and fair view, in all material respects.

The Committee has recommended the annual financial statements for approval to the Board of Directors.

Finance function competency

The Committee has reviewed and satisfied itself of the appropriate experience, expertise and resources of the CFO, Mr Wallace Holmes, and the finance function.

Independence of the external auditor

The Committee satisfied itself that the external auditor was independent of the AfroCentric Group, as set out in section 94(8) of the Companies Act, and ensured that the appointment of the auditor complied with all legislation relating to the appointment of auditors. The Committee, in consultation with executive management, agreed to the engagement letter terms, audit plan and budgeted audit fees in respect of the 2013 financial year.

Prior to the Annual General Meeting, in line with the procurement policy of the Company, the Committee will consider proposals for the provision of external audit assurance in respect of the 2014 financial year and thereafter. The Committee will nominate, for election at the Annual General Meeting, an independent external audit firm and the designated auditor responsible for performing the functions of auditor, for the 2014 financial year. The audit firm and designated auditor will be on the JSE list of accredited auditors and advisors.

Responsibility statement

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

Y Masithela
Chairperson
Audit Committee
26 September 2013

OUR RESULTS

Preparation of the annual financial statements

The Group annual financial statements of AfroCentric Investment Corporation Limited ("AfroCentric") for the year ended 30 June 2013 were prepared by H Boonzaaier CA(SA), General Manager: Group Finance, AfroCentric Health Limited and were reviewed by WRC Holmes CA(SA), Chief Financial Officer of AfroCentric.

Consolidated Statement of Financial Position

as at 30 June 2013

	Notes	**Group 30 June 2013 R'000**	Group 30 June 2012 R'000	**Company 30 June 2013 R'000**	Company 30 June 2012 R'000
ASSETS					
Non-current assets		**1 031 881**	991 884	**144 360**	168 028
Property, plant and equipment	6	**90 349**	97 016	**-**	-
Investment property	7	**15 000**	10 300	**-**	-
Intangible assets	8	**628 305**	611 042	**-**	-
Unlisted investment		**280**	280	**280**	280
Investments in associates	10	**42 484**	86 765	**35 967**	59 946
Investment in preference shares	13	**100 000**	100 000	**100 000**	100 000
Interest bearing loan	14	**74 000**	-	**-**	-
Deferred income tax assets	15	**81 463**	86 481	**8 113**	7 802
Current assets		**496 780**	367 267	**497 289**	494 286
Current portion of long-term loan	14	**2 378**	-	**-**	-
Trade and other receivables	16	**127 279**	108 511	**2 038**	1 270
Receivable from subsidiary	17	**-**	-	**472 009**	471 797
Receivable from associate	18	**-**	14 591	**-**	-
Taxation	36	**6 912**	2 255	**1 658**	1 658
Cash and cash equivalents	19	**360 211**	241 910	**21 584**	19 561
Total assets		**1 528 661**	1 359 151	**641 649**	662 314
EQUITY AND LIABILITIES					
Capital and reserves		**1 002 874**	882 817	**525 886**	610 812
Issued ordinary share capital	20	**15 584**	8 238	**15 584**	8 238
Issued preference share capital	20	**166**	166	**166**	166
Share premium	21	**340 961**	340 961	**340 961**	340 961
Contingent shares to be issued	20	**137 258**	188 540	**137 258**	188 540
Share-based payment reserve	38	**49 225**	9 357	**49 225**	9 357
Revaluation reserve		**-**	-	**-**	19 857
Foreign currency translation reserve		**1 254**	(646)	**-**	-
Treasury shares		**(2 324)**	(1 772)	**-**	-
Retained earnings/(Accumulated loss)		**460 750**	337 973	**(17 308)**	43 693
Non-controlling interest	22	**50 205**	30 623	**-**	-
Total equity		**1 053 079**	913 440	**525 886**	610 812
Non-current liabilities		**268 375**	271 968	**-**	-
Deferred income tax liabilities	15	**51 090**	47 595	**-**	-
Interest bearing loan	23	**200 000**	200 000	**-**	-
Provisions	25	**8 350**	8 350	**-**	-
Post-employment medical obligations	26	**3 551**	3 504	**-**	-
Accrual for straight-lining of leases	27	**5 384**	12 519	**-**	-
Current liabilities		**207 207**	173 743	**115 763**	51 502
Loans from Group companies	24	**-**	-	**110 016**	45 918
Borrowings	23	**7 926**	8 346	**-**	-
Provisions	25	**8 677**	8 779	**5 660**	5 500
Trade and other payables	28	**94 246**	76 802	**87**	84
Employment benefit liability	29	**96 358**	79 816	**-**	-
Total liabilities		**475 582**	445 711	**115 763**	51 502
Total equity and liabilities		**1 528 661**	1 359 151	**641 649**	662 314

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2013

	Notes	Group 30 June 2013 R'000	Group 30 June 2012 R'000	Company 30 June 2013 R'000	Company 30 June 2012 R'000
Revenue	30	1 770 330	1 448 261	–	–
Other income		39 652	48 935	7 888	49 458
Dividends received	31	23	6	1 201	41 263
Fair value gains on other investments	31	5 252	810	–	–
Fair value gains on investments in associate	31	7 253	13 162	–	–
Rental income from operating leases	31	2 225	8 356	–	–
Sundry income		58	5 722	100	437
Finance income	32	24 841	20 879	6 587	7 758
Amortisation of intangible assets	8	(40 098)	(36 356)	–	–
Bad debt write-off	31	(4 540)	(416)	–	–
Decrease in provision for doubtful debts		4 131	2 908	–	–
Share-based payment expense	38	(39 868)	(9 357)	(17 665)	(357)
Depreciation	6	(37 251)	(38 128)	–	–
Impairment of investment	31	–	–	(4 121)	–
Employee benefit costs	31	(973 272)	(784 660)	(798)	(3 816)
Finance costs	32	(16 673)	(17 508)	(6 362)	(3 502)
Information technology costs		(121 002)	(108 883)	(92)	
Profit on disposal of investments	31	51 014	–	–	–
Profit on disposal of property, plant and equipment	31	440	566	–	–
Reversal of impairment provision against loans and investments	31	4	1 175	–	–
Other expenses	31	(226 530)	(167 360)	(5 968)	(8 338)
Provision for onerous contracts		596	(18 950)	–	–
Rentals and property costs	31	(116 499)	(112 165)	(976)	–
Share of (losses)/profits from associates	10	(21 477)	14 842	–	–
Profit/(loss) before income tax	31	268 957	222 904	(28 094)	33 445
Income tax	33	(84 848)	(42 523)	312	7 733
Profit/(loss) for the year		184 109	180 381	(27 782)	41 178
Other comprehensive income:					
– Foreign exchange benefit		1 900	(887)	–	–
– Revaluation of investment in associate		–	–	(19 857)	19 857
Total comprehensive income/(loss) for the year		186 009	179 494	(47 639)	61 035
Attributable to:					
Equity holders of the Parent		163 570	163 619	(47 639)	61 035
Non-controlling interest	22	22 439	15 875	–	–
		186 009	179 494	(47 639)	61 035
Earnings per share (cents) attributable to equity holders of the Parent					
– Basic	34	60.75	61.55	–	–
– Diluted	34	36.11	52.31	–	–

Consolidated Statement of Changes in Equity

for the year ended 30 June 2013

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 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 exchange benefit	–	–	–	–	–	(887)	–	–	–	(887)
Share-based payment expense (note 38)	–	–	–	–	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 arising on consolidation of Medscheme Zimbabwe	–	–	–	–	–	–	–	454	476	930
Acquisition of Allegra (Pty) Ltd (note 4)	–	–	–	–	–	–	–	–	2 625	2 625
Dividends reclaimed	–	–	–	–	–	–	–	2 313	–	2 313
Dividends paid (note 37)	–	–	(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**
Issue of share capital	7 346	–	–	–	–	–	–	–	–	7 346
Foreign exchange benefit	–	–	–	–	–	1 900	–	–	–	1 900
Share-based payment expense (note 38)	–	–	–	–	39 868	–	–	–	–	39 868
Reduction of contingent shares to be issued	–	–	–	(51 282)	–	–	–	–	–	(51 282)
Treasury shares revalued	–	–	–	–	–	–	(552)	–	–	(552)
Transfer from non-controlling interest as a result of share buy-backs	–	–	–	–	–	–	–	2 343	(2 343)	–
Equity adjustments :										
– Consolidation of Medscheme International	–	–	–	–	–	–	–	(1 218)	–	(1 218)
– Disposal of 49% of Bonitas Marketing Company	–	–	–	–	–	–	–	(154)	3 093	2 939
– Acquisition of remaining 49% of IE Business	–	–	–	–	–	–	–	(6 645)	446	(6 199)
Dividends paid (note 37)	–	–	–	–	–	–	–	(33 219)	(4 053)	(37 272)
Net profit for the year	–	–	–	–	–	–	–	161 670	22 439	184 109
Balance as at 30 June 2013	**15 584**	**166**	**340 961**	**137 258**	**49 225**	**1 254**	**(2 324)**	**460 750**	**50 205**	**1 053 079**

Consolidated Statement of Changes in Equity

for the year ended 30 June 2013

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	Re-valuation reserve R'000	Total equity R'000
Balance as at 1 July 2011	2 659	166	369 235	188 540	–	2 515	–	563 115
Issue of share capital	5 579	–	–	–	–	–	–	5 579
Share-based payment expense (note 38)	–	–	–	–	9 357	–	–	9 357
Dividends paid (note 37)	–	–	(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**
Issue of share capital	7 346	–	–	–	–	–	–	7 346
Share-based payment expense (note 38)	–	–	–	–	39 868	–	–	39 868
Reduction of contingent shares to be issued	–	–	–	(51 282)	–	–	–	(51 282)
Dividends paid (note 37)	–	–	–	–	–	(33 219)	–	(33 219)
Revaluation of investment in associate (note 10)	–	–	–	–	–	–	(19 857)	(19 857)
Loss for the year	–	–	–	–	–	(27 782)	–	(27 782)
Balance as at 30 June 2013	**15 584**	**166**	**340 961**	**137 258**	**49 225**	**(17 308)**	**–**	**525 886**

Consolidated Statement of Cash Flows

for the year ended 30 June 2013

	Note	Group 30 June 2013 R'000	Group 30 June 2012 R'000	Company 30 June 2013 R'000	Company 30 June 2012 R'000
Cash flows from operating activities					
Cash receipts from customers		2 002 623	1 552 892	(668)	(60)
Cash paid to suppliers and employees		(1 662 210)	(1 297 740)	(7 671)	32 479
Cash generated from operations	35	340 413	255 152	(8 339)	32 419
Finance income	32	24 841	20 879	6 587	7 758
Finance costs	32	(16 673)	(17 508)	(6 362)	(3 502)
Dividends paid	37	(33 219)	(28 274)	(33 219)	(28 274)
Dividends received	31	23	6	–	–
Taxation (paid)/refunded	36	(88 305)	(61 050)	–	755
Lease termination costs	25	–	(53 000)	–	–
Net cash inflow/(outflow) from operating activities		227 080	116 205	(41 333)	9 156
Cash flows from investing activities					
Purchase of property, plant and equipment		(41 953)	(37 496)	–	–
Purchase of intangible assets		(47 243)	(28 897)	–	–
Proceeds on disposal of tangible assets		6 479	5 337	–	–
Proceeds on disposal of intangible assets		81 650	–	–	–
Long-term loan issued	14	(76 378)	–	–	–
Purchase of Sapling Trade and Invest	4	(38 966)	–	–	–
Purchase of Bonitas Marketing Company	4	(7 581)	–	–	–
Increase in shareholding of IE Business	4	(6 200)	–	–	–
Purchase of Allegra (Pty) Ltd	4	–	(3 968)	–	–
Net effect of Medscheme International Limited consolidation		(1 218)	–	–	–
Dividends received from associates	10	2 360	6 255	1 201	1 440
Decrease in investment and loans to associates		14 591	3 448	–	–
Net cash (outflow)/inflow from investing activities		(114 459)	(55 321)	1 201	1 440
Cash flows from financing activities					
Dividends paid to Shareholders with a non-controlling interest	37	(4 053)	(5 610)	–	–
Shares issued	20	7 346	5 579	7 346	5 579
Increase/(decrease) in borrowings		487	8 346	–	–
Increase in loans from Group companies		–	–	34 809	418
Net cash inflow from financing activities		3 780	8 315	42 155	5 997
Net cash inflow		116 401	69 199	2 023	16 593
Effect of foreign exchange rate changes		1 900	–	–	–
Net increase in cash and cash equivalents		118 301	69 199	2 023	16 593
Cash and cash equivalents at the beginning of the period		241 910	172 711	19 561	2 968
Cash and cash equivalents at the end of year	19	360 211	241 910	21 584	19 561
Disclosed as follows:					
Cash and cash equivalents	19	360 211	241 910	21 584	19 561

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

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 26 September 2013.

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 2013.

Basis of presentation

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

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

- Post-employment medical obligations, independently valued using the Projected Unit Credit Method.
- Financial assets and liabilities classified as loans and receivables and other financial liabilities are held at amortised cost.

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 2013, relevant to the Company's operations

IFRS	Effective Date	Subject of amendment
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.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

1 Summary of accounting policies (continued)

a) Amendments to published standards effective in 2013, relevant to the Company's operations (continued)

IFRS	Effective Date	Subject of amendment
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 12 – Disclosure of interests in other entities	1 January 2013	The standard deals with disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
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 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.
IAS 27 (revised 2012) – 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 2012) – 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 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.
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.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

1 Summary of accounting policies (continued)

b) Issued but not yet effective standards in 2013

IFRS	Effective Date	Subject of amendment
IFRS 9 – Financial Instruments (2009)	1 January 2015	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 2015	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.
Amendments to IFRS 9 – Financial Instruments (2012)	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 from 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 2012, 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.
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 2013 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.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

1 Summary of accounting policies (continued)

d) Annual improvements not effective in 2013 relevant to the Company's operations

IFRS	Effective Date	Subject of amendment
Investment Entities (Amendments to IFRS 10, 12 and IAS 27)	1 January 2014	The improvements deal with the consolidation and measurement of particular subsidiaries of investment entities as well as additional disclosures of the entity.
IAS 36 – Recoverable amount disclosures for non-financial assets	1 January 2014	Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

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, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

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

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

05

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

1 Summary of accounting policies (continued)

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 against the investment, 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 2013 based on the result of 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.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

1 Summary of accounting policies (continued)

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.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

1 Summary of accounting policies (continued)

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.

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	10 years

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

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

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

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 gains tax rate of 18.67% (2012: 18.67%) due to the fact that the Company intends to recover the value of Investment Property through sale and not through use.

Intangible assets

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

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

1 Summary of accounting policies (continued)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of associates is included in the investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

Contractual customer relationships

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

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.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

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

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

1 Summary of accounting policies (continued)

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 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.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

1 Summary of accounting policies (continued)

Financial assets

A financial asset is any asset that is:

(a) Cash;

(b) An equity instrument of another entity;

(c) A contractual right: to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

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

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

At initial recognition, management determines the appropriate classification of financial assets, attributable to Shareholders or policyholders, as follows:

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

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

Financial assets at fair value through profit and loss

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

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

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

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category, are presented in the Statement of Comprehensive Income within '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.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

1 Summary of accounting policies (continued)

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

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

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

Held-to-maturity financial assets

These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

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

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in payments;

(iii) It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;

(iv) The disappearance of an active market for that financial asset because of financial difficulties; or

(v) Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:

– adverse changes in the payment status of issuers or debtors in the Group; or

– national or local economic conditions that correlate with defaults on the assets in the Group.

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

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

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

1 Summary of accounting policies (continued)

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

(i) Are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

(ii) Occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or

(iii) Are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Whenever sales or reclassification of more than an insignificant amount of held-to-maturity investments do not meet any of the conditions 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 assets carrying amount and the present amount of estimated future cash flows, discounted at the original effective interest rate.

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

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.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

1 Summary of accounting policies (continued)

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.

(iii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

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

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 out of 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.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

1 Summary of accounting policies (continued)

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

Contingent liabilities

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

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

1 Summary of accounting policies (continued)

Annual leave

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

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

1 Summary of accounting policies (continued)

Revenue and expense recognition (continued)

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

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

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. Dividend 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 Dividend 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

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

Share capital

Ordinary shares

Ordinary shares are classified as equity.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

1 Summary of accounting policies (continued)

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 had applied the requirements of IFRS 2 Share-based payments. The Group makes equity-settled share-based payments to certain employees, which are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. 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 Group as that of a single economic entity, the following steps are then taken:

(i) The carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated (refer to note 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 calculated in accordance with IFRS 3; and
- The non-controlling interest's share of changes in equity since the date of the combination.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

2 Critical accounting estimates and assumptions

Acquisition of Sapling Trade and Invest (Proprietary) Limited

As part of the purchase price allocation of the Sapling Trade and Invest (Proprietary) Limited transaction in September 2012, the Group identified the following intangible assets:

Contractual customer relationships

The 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 10 year income and expenditure forecasts derived from management's strategic planning forecasts were used as cash flows. A discount rate of 10.65% was used, which was considered to be appropriate for the industry in which Sapling Trade and Invest (Proprietary) Limited operated at the date of acquisition. The useful life of this intangible asset has been estimated to be 10 years.

Acquisition of Bonitas Marketing Company (Proprietary) Limited

As part of the purchase price allocation of the Bonitas Marketing Company (Proprietary) Limited transaction in September 2012, 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 5 year income and expenditure forecasts derived from management's strategic planning forecasts were used as cash flows. A discount rate of 10.65% was used, which was considered to be appropriate for the industry in which Bonitas Marketing Company (Proprietary) Limited operated at the date of acquisition. The useful life of this intangible asset has been estimated to be 5 years.

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 5 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 5 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 5 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.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

2 Critical accounting estimates and assumptions (continued)

Acquisition of Medscheme (Mauritius) 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 5 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 5 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 had 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 property lease obligation, to which the onerous provision related, came to an end in May 2013.

Leases

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

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

(i) The lease transfers ownership of the asset to the lessee by the end of the lease term;

(ii) The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;

(iii) The lease term is for the major part of the economic life of the asset even if title is not transferred;

(iv) At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and

(v) The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

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

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

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

2 Critical accounting estimates and assumptions (continued)

Income taxes

The Group is subject to direct taxation in a number of jurisdictions. There may be transactions and calculations for which the ultimate taxation determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the amount of taxation that may be due. Where the final taxation determination is different from the amounts that were initially recorded, such difference will impact the income taxation and deferred taxation provisions in the period in which such determination is made. The corporate tax rate applicable in South Africa is 28%.

Carrying values of the Group at 30 June 2013:

- Deferred tax assets: R81.5m (June 2012: R86.5m)
- Deferred tax liabilities: R51.1m (June 2012: R47.6m)
- Taxation: R6.9m asset (June 2012: R2.3m asset)

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 R3.551m (June 2012: R3.504m) and is detailed in note 26 of the annual financial statements.

Contingencies

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

Impairment of goodwill

The 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 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 2013 was R105.3m (June 2012: R107.3m) and R628m (June 2012: R611m) respectively.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

3 Financial risk management

General

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

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

Primary responsibility for risk management at an operational level rests with the executive committee. Management and various specialist committees are tasked with integrating the management of risk into the day-to-day activities of the Group. Refer to the Corporate Governance statement for more detail regarding the Committee's 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. 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, International and Zimbabwe) bear currency risk. The most significant exposure is to the Euro, Mauritian Rupee, the Botswana Pula and the Zimbabwean Dollar. The impact of currency risk on profit and loss amounted to a loss of R0.383m (June 2012: R0.01m 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 Johannesburg Stock 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 Johannesburg Stock Exchange.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

3 Financial risk management (continued)

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 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.

Instruments exposed	Increase in 1% on statement of comprehensive income
June 2013	**R'000**
Preference dividend	**60**
Bank borrowings	**(2 000)**
Bank balances and short-term investments	**2 060**
Total	**120**
June 2012	
Preference dividend	72
Bank borrowings	(2 000)
Bank balances and short-term investments	2 073
Total	**145**

Under these assumptions, a 1% increase in market interest rates at 30 June 2013 would increase profit before tax by approximately R120 000 (June 2012: R145 000).

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.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

3 Financial risk management (continued)

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities to meet debt repayment and operating requirements.

Management monitors the cash position on a daily basis. Due to the dynamic nature of the underlying businesses, management maintains flexibility in funding by keeping committed credit facilities available.

Management monitors rolling forecasts of the 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 June 2013	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
Borrowings	7 926	–	–	–	200 000	207 926
Trade payables	86 468	2 582	2 582	2 614	–	94 246
June 2012						
Borrowings	8 346	–	–	–	200 000	208 346
Trade payables	69 899	2 301	2 301	2 301	–	76 802

Time buckets applicable to the Company

Company June 2013	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
Loans from Group companies	110 016	–	–	–	–	110 016
Trade payables	87	–	–	–	–	87
June 2012						
Loans from Group companies	45 918	–	–	–	–	45 918
Trade payables	84	–	–	–	–	84

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

3 Financial risk management (continued)

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

Time buckets applicable to the Group

Group June 2013	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
Long-term loan	2 378	–	–	74 000	76 378
Trade and other receivables	118 586	2 070	2 070	4 553*	127 279
June 2012					
Trade and other receivables	98 351	2 859	2 859	4 442*	108 511

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

Time buckets applicable to the Company

Company June 2013	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
Trade and other receivables	2 038	–	–	–	2 038
June 2012					
Trade and other receivables	1 270	–	–	–	1 270

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

Description per the Statement of Financial Position	Fair value	Amortised cost	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Loans and receivables			Carrying value		Carrying value	
Long-term loan		✓	76 378	–	–	–
Trade and other receivables		✓	127 279	108 511	2 038	1 270
Cash and cash equivalents	✓		360 211	241 910	21 584	19 561
Financial liabilities measured at amortised cost						
Borrowings (non-current and current)		✓	207 926	208 346	–	–
Trade and other payables		✓	94 246	76 802	87	84

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 advisors 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.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

3 Financial risk management (continued)

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.

The gearing ratios at 30 June 2013 and 30 June 2012 respectively are as follows:

	Group June 2013 R'000	Group June 2012 R'000	**Company June 2013 R'000**	Company June 2012 R'000
Total long-term borrowings	**200 000**	200 000	**–**	–
Total equity	**1 053 079**	913 440	**525 886**	610 812
Total capital employed	**1 253 079**	1 113 440	**525 886**	610 812
Gearing ratio	**15.96%**	17.96%	**–**	–
Adjusted to include short-term borrowings:				
Total borrowings (note 23 and 24)	**207 926**	208 346	**110 016**	45 918
Total equity	**1 053 079**	913 440	**525 886**	610 812
Total capital employed	**1 261 005**	1 121 786	**635 902**	656 730
Gearing ratio (including short-term borrowings)	**16.49%**	18.57%	**17.30%**	6.99%

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

4 Business combinations

AfroCentric Investment Corporation Limited acquired AHL 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:

2013	**Maximum loss R'000**	**Probability %**	**Fair value R'000**
Neil Harvey & Associates	**83 500**	**10%**	**8 350**
	83 500		**8 350**
2012			
Neil Harvey & Associates	**83 500**	**10%**	**8 350**
	83 500		**8 350**

	June 2013 R'000	June 2012 R'000
Carrying amount of IFRS 3 contingent liabilities at beginning of year	**8 350**	24 131
Fair value adjustments	**–**	(15 781)
Carrying amount of IFRS 3 contingent liabilities at end of period	**8 350**	8 350

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 25.

05

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

4 Business combinations (continued)

Purchase of Sapling Trade and Invest (Proprietary) Limited

Sinfra Investments (Proprietary) Limited acquired 100% of the issued share capital of Sapling Trade and Invest (Proprietary) Limited on 1 September 2012. IFRS 3 requires the acquirer to allocate the cost of a business combination at the effective date by recognising the acquirer's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria. The goodwill arising from the acquisition of Sapling Trade and Invest (Proprietary) Limited is attributable to the increased profitability anticipated as a result of the Sapling employees' knowledge of the broker network in the healthcare industry.

The acquisition of Sapling Trade and Invest (Proprietary) Limited is being accounted for using the purchase price method of accounting, which requires that the assets and liabilities of Sapling Trade and Invest (Proprietary) Limited be measured at fair value at 1 September 2012.

Intangible assets arising from the purchase of subsidiary companies

At the time of the purchase of Sapling Trade and Invest (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.

One intangible asset type was identified which related to the customer relationships. 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:

- Sapling Trade and Invest (Proprietary) Limited 10.65%

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 2012, and the resulting goodwill, are presented below:

Sapling Trade and Invest (Proprietary) Limited	**1 September 2012**	
	R'000	**R'000**
Fair value of 100% net asset value at acquisition		**(2 308)**
Property, equipment and motor vehicles	**986**	
Deferred taxation assets	**140**	
Cash resources	**1 034**	
Trade debtors and other receivables	**841**	
Total creditors and other payables	**(5 309)**	
Net fair value of intangibles at acquisition		**15 446**
Fair value of customer relationships acquired	**21 453**	
Deferred taxation on intangible assets acquired	**(6 007)**	
Fair value of Sapling Trade and Invest (Pty) Ltd at date of acquisition		**13 138**
Cash outflow for the purchase of 100% shareholding		40 000
Fair value of 100% shareholding at acquisition		(13 138)
Goodwill arising from acquisition		**26 862**
Cash outflow for the purchase of 100% shareholding		(40 000)
Cash resources acquired on acquisition		1 034
Net cash outflow		**(38 966)**

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

4 Business combinations (continued)

Purchase of Bonitas Marketing Company (Proprietary) Limited

Resticraft (Proprietary) Limited acquired 100% of the issued share capital of Bonitas Marketing Company (Proprietary) Limited on 1 September 2012. IFRS 3 requires the acquirer to allocate the cost of a business combination at the effective date by recognising the acquirer's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria. The goodwill arising from the acquisition of Bonitas Marketing Company (Proprietary) Limited is attributable to the increased profitability anticipated as a result of the Bonitas Marketing Company employees' knowledge of the broker network in the healthcare industry.

The acquisition of Bonitas Marketing Company (Proprietary) Limited is being accounted for using the purchase price method of accounting, which requires that the assets and liabilities of Bonitas Marketing Company (Proprietary) Limited be measured at fair value at 1 September 2012.

Intangible assets arising from the purchase of subsidiary companies

At the time of the purchase of Bonitas Marketing Company (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.

One intangible asset type was identified which related to the customer relationships. 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:

- Bonitas Marketing Company (Proprietary) Limited 10.65%

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

4 Business combinations (continued)

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 2012, and the resulting goodwill, are presented below:

Bonitas Marketing Company (Proprietary) Limited	1 September 2012	
	R'000	R'000
Fair value of 100% net asset value at acquisition		10 766
Property, equipment and motor vehicles	727	
Deferred taxation assets	266	
Cash resources	8 419	
Trade debtors and other receivables	17 886	
Trade creditors and other payables	(16 532)	
Net fair value of intangibles at acquisition		4 399
Fair value of customer relationships acquired	6 110	
Deferred taxation on intangible assets acquired	(1 711)	
Fair value of Bonitas Marketing Company (Proprietary) Limited at date of acquisition		15 165
Cash outflow for the purchase of 100% shareholding		16 000
Fair value of 100% shareholding at acquisition		(15 165)
Goodwill arising from acquisition		**835**
Cash outflow for the purchase of 100% shareholding		(16 000)
Cash resources acquired on acquisition		8 419
Net cash outflow		**(7 581)**

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 be measured at fair value at 1 September 2011.

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%

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

4 Business combinations (continued)

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
Net cash outflow for the purchase of 51% shareholding		4 000
Fair value of 51% shareholding at acquisition		(2 732)
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)**

Other acquisitions

Purchase of IE Business Insight Strategic Consulting (Proprietary) Limited

Bonitas Marketing Company (Proprietary) Limited acquired 100% of the issued share capital of IE Business (Proprietary) Limited on 30 June 2013. AfroCentric Health Limited had a 51% shareholding in IE Business (Proprietary) Limited which was transferred to Bonitas Marketing Company (Proprietary) Limited on 30 June 2013. The remaining 49% shareholding, held by an external Company, was purchased by Bonitas Marketing Company (Proprietary) Limited effective 30 June 2013. IFRS 3 requires the acquirer to allocate the cost of a business combination at the effective date by recognising the acquirer's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria.

The goodwill arising from the acquisition of IE Business (Proprietary) Limited is attributable to the increased profitability anticipated as a result of increased membership numbers expected from the business synergies created by the inclusion of IE Business (Proprietary) Limited in the Bonitas Marketing Group.

The acquisition of IE Business (Proprietary) Limited is being accounted for using the purchase price method of accounting, which requires that the assets and liabilities of Bonitas IE Business (Proprietary) Limited be measured at fair value at 30 June 2013.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

4 Business combinations (continued)

Intangible assets arising from the purchase of subsidiary companies

At the time of the purchase of IE Business (Proprietary) Limited, no intangible assets were identified.

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 30 June 2013, and the resulting goodwill, are presented below:

IE Business Insight Strategic Consulting (Proprietary) Limited	**30 June 2013**	
	R'000	**R'000**
Fair value of 100% net asset value at acquisition		(3 963)
Loan accounts receivable	5 005	
Intervent asset	4 858	
Cash resources	13	
Loan accounts payable	(13 839)	
Fair value of IE Business (Proprietary) Limited at date of acquisition		(3 963)
Cash outflow for the purchase of 100% shareholding		12 677
Fair value of 100% shareholding at acquisition		3 963
Goodwill arising from acquisition		**16 640**
Cash outflow for the purchase of 100% shareholding		(12 677)
Intergroup transfers (transfer of 51%)		6 477
Net cash outflow (purchase of 49%)		**(6 200)**

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

5 Segment information

2013	**Healthcare Administration R'000**	**Electronics R'000**	**Treasury R'000**	**Administration R'000**	**Elimination R'000**	**Group R'000**
Gross revenue	1 771 370	–	–	100	(1 140)	1 770 330
Other income	2 307	–	–	1 201	(1 201)	2 307
Administration expenses	(1 429 980)	–	–	(7 833)	1 140	(1 436 673)
Amortisation of intangibles	(33 786)	–	–	–	(6 312)	(40 098)
Depreciation	(37 251)	–	–	–	–	(37 251)
Profit on sale of investment	51 014	–	–	–	–	51 014
Net finance income	21 939	–	6 587	(20 358)	–	8 168
– Finance income	22 541	–	6 587	1 997	(6 284)	24 841
– Finance cost	(602)	–	–	(22 355)	6 284	(16 673)
Share-based payment expense	(22 203)	–	–	(17 665)	–	(39 868)
Impairment of investment in associate	–	–	–	(4 121)	4 121	–
Fair value gain on investment in associates	–	–	–	–	7 253	7 253
Fair value gain on investment	5 252	–	–	–	–	5 252
Share of profit of associate	8 553	(30 030)	–	–	–	(21 477)
Profit/(loss) before taxation	337 215	(30 030)	6 587	(48 676)	3 861	268 957
Income tax expense	(86 368)	–	(559)	312	1 767	(84 848)
Profit/(loss) for the year	250 847	(30 030)	6 028	(48 364)	5 628	184 109
Segment assets	1 276 080	–	121 584	1 367 486	(1 236 489)	1 528 661
Segment liabilities	245 904	–	274 927	743 793	(789 042)	475 582
Capital expenditure	(80 800)	–	–	–	(8 396)	(89 196)
Depreciation and amortisation	(71 037)	–	–	–	(6 312)	(77 349)
Impairment of investment in associate	–	–	–	(4 121)	4 121	–
Fair value gain on investment in associates	–	–	–	–	7 253	7 253
Fair value gain on investments	5 252	–	–	–	–	5 252

Nature of business segments:

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

Geographical segments:

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

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

5 Segment information (continued)

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)
Share-based payment expense	(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 AHL.
- Electronics – consists of the investment in Jasco.
- Treasury – consists of the investment in preference shares.
- Administration – consists of the administration activities of the holding company.

Geographical segments:

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

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

6 Property, plant and equipment

	Motor vehicles R'000	Building infrastructure R'000	Computer equipment R'000	Furniture and fittings R'000	Office equipment R'000	Total R'000
Group						
Year ended 30 June 2013						
Opening carrying amount	1 027	154	60 675	21 012	14 148	97 016
Additions	1 576	55	27 366	9 707	4 063	42 767
Disposals	(276)	–	(4 765)	(449)	(551)	(6 041)
Depreciation charge	(508)	(86)	(25 195)	(7 106)	(4 356)	(37 251)
Reclassification	–	144	(11 056)	5 574	(804)	(6 142)
Closing carrying amount at 30 June 2013	**1 819**	**267**	**47 025**	**28 738**	**12 500**	**90 349**
Cost	3 961	476	68 980	74 006	31 556	178 979
Accumulated depreciation	(2 142)	(209)	(21 955)	(45 268)	(19 056)	(88 630)
Year ended 30 June 2012	**1 819**	**267**	**47 025**	**28 738**	**12 500**	**90 349**
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 at 30 June 2012	**1 027**	**154**	**60 675**	**21 012**	**14 148**	**97 016**
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**

The useful lines of building infrastructure were reviewed and revised during the current year. The revision increased the useful lives of assets in the category from 5 years to 10 years. The revision does not have a material effect on the annual financial statements.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

7 Investment property

	June 2013 R'000	June 2012 R'000
Opening fair value	10 300	10 100
Fair value gain	4 700	200
Closing fair value	15 000	10 300

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

The Company has elected the fair value model in terms of IAS 40 (Investment Property).

At 30 June 2013 the land was revalued to an amount of R15 000 000.

The valuation was obtained by an independent valuer, J van der Hoven, a property practitioner from ARC Properties.

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.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

8 Intangible assets

	Goodwill R'000	Intel-lectual property R'000	Computer software R'000	Develop-ment costs R'000	Customer relation-ships R'000	Brands R'000	Total R'000
Group							
Opening carrying amount at 1 July 2012	438 386	7 483	26 889	57 830	67 651	12 803	611 042
Additions	35 185	–	9 481	30 273	27 562	–	102 501
Reversals (contingent shares)	(51 282)	–	–	–	–	–	(51 282)
Amortisation charge for the year	–	(2 919)	(11 229)	(6 241)	(17 807)	(1 902)	(40 098)
Reclassification	–	–	6 142	–	–	–	6 142
Carrying value at 30 June 2013	**422 289**	**4 564**	**31 283**	**81 862**	**77 406**	**10 901**	**628 305**
Carrying value at 30 June 2013 comprises:							
Cost	422 289	15 301	98 919	96 991	151 893	22 938	808 331
Accumulated impairment	–	–	(4 366)	–	(6 462)	(3 200)	(14 028)
Accumulated amortisation	–	(10 737)	(63 270)	(15 129)	(68 025)	(8 837)	(165 998)
Carrying value at 30 June 2013	**422 289**	**4 564**	**31 283**	**81 862**	**77 406**	**10 901**	**628 305**
Opening carrying amount at 1 July 2011	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)
Carrying value at 30 June 2012	**438 386**	**7 483**	**26 889**	**57 830**	**67 651**	**12 803**	**611 042**
Carrying value at 30 June 2012 comprises:							
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)
Carrying value at 30 June 2012	**438 386**	**7 483**	**26 889**	**57 830**	**67 651**	**12 803**	**611 042**

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

8 Intangible assets (continued)

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Goodwill	422 289	438 386	–	–
Computer software	31 283	26 889	–	–
Development costs	81 862	57 830	–	–
Intellectual property	4 564	7 483	–	–
Customer relationships	77 406	67 651	–	–
Brand	10 901	12 803	–	–
	628 305	611 042	–	–

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

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Medscheme – healthcare administration	265 001	308 792	-	-
Medscheme – health risk management	89 298	89 298	-	-
Aid for Aids Management (Pty) Limited – healthcare administration	23 490	23 490	-	-
Medscheme Mauritius Limited – local administration	4 969	4 969	-	-
Medscheme Mauritius Limited – international administration	10 566	10 569	-	-
Allegra (Pty) Limited – healthcare IT support	1 268	1 268	-	-
Sapling Trade and Invest – healthcare IT support	26 862	-	-	-
Bonitas Marketing – healthcare marketing support	835	-	-	-
	422 289	438 386	-	-

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

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

- R157 (maturing in 2015) is yielding 7.18% as at 30 June 2013.
- A market risk premium of 6% is justified as the overall risk is to the downside. CPI growth for 2014 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.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

9 Financial instruments

9.1 Trade receivables

Trade receivables that are less than three months past due are not considered for impairment. As of 30 June 2013, trade receivables of R9.2m (June 2012: R1.4m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and are expected to be recoverable.

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

	June 2013 R'000	June 2012 R'000
At beginning of the period	5 022	7 969
Reversal of provision for doubtful debts	(4 131)	(2 908)
Other adjustments (including the effect of foreign exchange rates)	(518)	(39)
	373	5 022

Disclosure of trade debtors:

	June 2013 R'000	June 2012 R'000
Gross trade debtors	92 701	80 546
Provision for impairment of trade receivables as above	(373)	(5 022)
Net trade debtors (note 16)	92 328	75 524

Ageing of trade and other receivables (R'000):

Group	Current	30 days	60 days	90+ days	Total
June 2013					
Gross trade debtors	83 531	6 172	537	2 461	92 701
Sublease and other	16 156	2 714	69	1 342	20 281
June 2012					
Gross trade debtors	77 180	1 947	190	1 229	80 546
Sublease and other	9 758	319	76	1 712	11 865

No ageing is applicable to the other categories within trade and other receivables. However, these categories are all current or due on demand. All trade and other receivables of the Company are current or due on demand.

Clients are contractually bound to the Group 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 Group 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 16 do not contain impaired assets.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

9 Financial instruments (continued)

9.1 Trade receivables (continued)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group 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 and the joint venture has recently indicated an ability to repay outstanding amounts due.

9.3 Cash and cash equivalents

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Cash at bank and short-term bank deposits				
AAA – ABSA Bank Limited	277 088	154 644	8 420	9 298
AA – Nedbank Limited	83 123	87 266	13 164	10 263
Total cash at bank and short-term bank deposits	360 211	241 910	21 584	19 561

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

AAA The financial instrument is judged to be of the highest quality, with minimal credit risk and indicates the best quality issuers that are reliable and stable.

AA The financial instrument is judged to be of high quality, is subject to very low credit risk and indicates quality issuers.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

10 Investments in associates

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Carrying value	42 484	86 765	35 967	59 946

Jasco Electronics Holdings Limited is a listed entity with publicly traded shares. The share price on 30 June 2013 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 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Non-current assets (excluding intangible assets)	285 737	380 339	–	–
Intangible assets	94 143	139 107	–	–
Current assets	523 484	451 857	–	–
Total assets	903 364	971 303	–	–
Non-current liabilities	204 342	68 510	–	–
Current liabilities	440 125	470 047	–	–
Total liabilities	644 467	538 557	–	–
Net (loss)/profit attributable to ordinary Shareholders	(78 462)	52 490	–	–

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Balance at the beginning of period	86 765	63 859	59 946	40 089
Share of after taxation (losses)/profit	(21 477)	14 842	–	–
Dividends received	(2 361)	(6 255)	–	–
Fair value (loss)/gain on investment in associate	7 253	13 163	–	–
Revaluation of investment in associate	–	–	(23 979)	19 857
Reversal of impairment of investment in associate	–	2 475	–	–
Investment in Sigma Health Fund Managers written off	–	(1 319)	–	–
Disposal of Tradebridge (Proprietary) Limited*	(22 977)	–	–	–
Disposal of Agility Broker Services (Pty) Ltd **	(4 719)	–	–	–
Balance at the end of period	42 484	86 765	35 967	59 946

* *The investment in Agility Broker Services (Pty) Ltd was sold during the year for R4.65 million. The carrying value of the investment at the date of sale was R4.72 million. This resulted in a loss on disposal of R0.07 million which has been included in the Statement of Comprehensive Income.*

** *The investment in Tradebridge (Pty) Ltd was sold during the year. Refer to note 14 for details of the transaction.*

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

10 Investments in associates (continued)

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

	Reporting date	Number of shares held	Percentage holdings June 2013 R'000	Percentage holdings June 2012 R'000	Group carrying amount June 2013 R'000	Group carrying amount June 2012 R'000	Company carrying amount June 2013 R'000	Company carrying amount June 2012 R'000
Directly held – listed								
Jasco Electronics Holdings Limited	30 June	39 963 793	**27.3**	27.3	**35 967**	59 946	**35 967**	59 946
Unlisted								
Associated Fund Administrators Botswana (Proprietary) Limited	30 September	25 000	**25**	25	**6 517**	5 746	**–**	–
Tradebridge (Proprietary) Limited	30 September	–	**–**	28	**–**	16 434	**–**	–
Medscheme EDI (Proprietary) Limited*	29 February	50	**50**	50	**–**	–	**–**	–
Agility Broker Service (Pty) Ltd	31 December	–	**–**	25	**–**	4 639	**–**	–
					42 484	86 765	**35 967**	59 946

* *Pending deregistration*

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 Associated Fund Administrators Botswana (Proprietary) Limited, it has no influence in aligning their reporting dates with the Group's.

	1 July 2012 R'000 Opening carrying amount	Share of after tax profits	Fair value gain	Disposal of investment	Dividends received	30 June 2013 R'000 Closing carrying amount
Directly held – listed						
Jasco Electronics Holdings Limited	59 945	(30 030)	7 253	–	(1 201)	**35 967**
Unlisted						
Associated Fund Administrators Botswana (Proprietary) Limited	5 746	1 930	–	–	(1 159)	**6 517**
TradeBridge (Proprietary) Limited	16 434	6 543	–	(22 977)	–	**–**
Medscheme EDI (Proprietary) Limited*	–	–	–	–	–	**–**
Agility Broker Services (Pty) Ltd	4 640	80	–	(4 720)	–	**–**
	86 765	(21 477)	7 253	(27 697)	(2 360)	**42 484**

** Amounts less than R1 000*

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

10 Investments in associates (continued)

	Shares at cost June 2013 R'000	Shares at cost June 2012 R'000	Equity profits June 2013 R'000	Equity profits June 2012 R'000	Carrying amount of investment June 2013 R'000	Carrying amount of investment June 2012 R'000
Directly held – listed						
Jasco Electronics Holdings Limited	**59 946**	40 087	**(23 979)**	19 859	**35 967**	59 946
Unlisted						
Associated Fund Administrators Botswana (Proprietary) Limited	**815**	815	**5 702**	4 932	**6 517**	5 746
Tradebridge (Proprietary) Limited	**–**	–	**–**	16 434	**–**	16 434
Agility Broker Service (Proprietary) Limited	**–**	4 125	**–**	514	**–**	4 639
	60 761	45 027	**(18 277)**	41 739	**42 484**	86 765

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 joint venture is a dormant company with total assets and liabilities amounting to less than R1 000 in the current and prior year. As the joint venture is dormant, it had no operating results in the current and prior year.

12 Investment in subsidiaries

	Group 2013	Group 2012	Company 2013	Company 2012
Unlisted investments at cost	**–**	–	*****	*

** Amounts less than R1 000*

Name	Main business	Country of incorporation	Interest held
2013 and 2012			
Directly held			
AfroCentric Resources (Pty) Ltd	Dormant	South Africa	100.0%
AfroCentric Capital (Pty) Limited	Dormant	South Africa	100.0%
ACT Healthcare Assets (Pty) Ltd	Investment holding	South Africa	100.0%
ACT Funding (Pty) Ltd	Financing	South Africa	100.0%
Indirectly held			
AfroCentric Health Limited	Healthcare administration	South Africa	94.07%

05

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

13 Investment in preference shares

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 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.

Redemption date for the preference shares by Jasco has been extended to 31 December 2014, or any date earlier, if Jasco disposes of its investment in M-TEC.

AfroCentric has entered into a Put Option Agreement with Jasco. The Put Option Agreement grants AfroCentric the right to put the preference shares to Jasco for a consideration equal to the value of the preference shares. As security for the Put Jasco has pledged its shares in Jasco Cables (Pty) Ltd to AfroCentric. Jasco Cables (Pty) Ltd owns Jasco's investment in M-TEC.

Jasco has consistently serviced the preference dividend with the acquisition of assets during the current and previous years and there is no reason to believe that they are likely to default in their obligations.

14 Interest bearing loan

	June 2013 R'000	June 2012 R'000
Loan balance arising from the sale of Trade Bridge (Pty) Ltd	**74 000**	–
Interest raised	**2 378**	–
Closing balance	**76 378**	–
Non-current portion	**74 000**	–
Current portion	**2 378**	–
	76 378	–

The interest bearing loan was issued to Tradebridge (Proprietary) Limited as part of a share buy-back agreement entered into with Medscheme Holdings (Proprietary) Limited, effective 1 March 2013.

In terms of the agreement, Medscheme sold its total shareholding (2 833 333 shares, 27.78%) back to Tradebridge for an amount of R74 000 000. The purchase price was not settled in cash but was instead effected by means of a loan payable to Medscheme. The previous loan owing to Medscheme by Tradebridge (note 18) was settled in cash as part of the buy-back agreement.

The loan bears interest at Prime plus 1%, compounded monthly, up until 28 February 2014, where thereafter the interest will increase to Prime plus 4%, compounded monthly.

The loan, together with interest thereon, will be repaid within 36 months, commencing on 1 March 2013. There are no fixed terms of repayment in respect of the capital portion provided the full capital amount, plus any accrued interest, is repaid on or before 29 February 2016.

The value of the investment in Tradebridge (Proprietary) Limited at the date of sale was R22.98 million (note 10) which resulted in a profit on sale of R51.02 million. This profit has been recognised in the Statement of Comprehensive Income.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

15 Deferred income tax

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 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
(Charge)/credit to profit for the year	–	5 445	–	(7 592)	–	(2 871)	(5 018)
Balance as at 30 June 2013	–	33 488	–	47 339	–	636	81 463
Deferred income tax liabilities							
Balance as at 1 July 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)
(Charge)/credit to profit for the year	(1 956)	–	477	–	(2 016)	–	(3 495)
Balance as at 30 June 2013	(24 221)	–	(591)	–	(26 278)	–	(51 090)
Company							
Balance as at 1 July 2011	–	–	–	1 291	–	1 191	2 482
Credit 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
(Charge)/credit to profit for the year	–	–	(28)	3 210	–	(2 871)	311
Balance as at 30 June 2013	–	1 400	(28)	6 105	–	636	8 113

The unrecognised portion of assessed losses for June 2013 was Rnil (June 2012: Rnil).

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

16 Trade and other receivables

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Trade debtors (net of provisions) (note 9)	92 328	75 524	–	–
Deposits	2 482	1 583	–	–
Prepayments	8 381	11 439	100	–
Sundry debtors	3 807	8 100	1 938	1 270
Sublease and other	20 281	11 865	–	–
	127 279	108 511	2 038	1 270

All receivables are current.

Refer to note 9.1 for ageing of trade and other receivables.

17 Receivables from subsidiaries

	Effective % holding	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
ACT Healthcare Assets (Pty) Ltd	100%	–	–	472 009	471 797
		–	–	472 009	471 797

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.

The receivables have no fixed repayment terms and no interest is charged.

18 Receivable from associate

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Tradebridge (Pty) Ltd – loan	–	14 591	–	–
Total receivables from associates	–	14 591	–	–

These receivable from Tradebridge (Pty) Ltd was settled in cash as part of the share buy-back agreement detailed in note 13. Interest was charged on this loan up until settlement date.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

19 Cash and cash equivalents

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Cash	120 347	122 345	21 584	19 561
Short-term deposits	239 864	119 565	–	–
	360 211	241 910	21 584	19 561

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

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Cash and bank balances	360 211	241 910	21 584	19 561

Included in the cash balances is an amount of R10 million deposited at Nedbank Limited as a good-faith deposit on behalf of a strategic target for acquisition. Note 25 describes the status of that deposit.

The effective interest rate applicable to cash at bank is 4.72% (June 2012: 5.4%).

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

20 Issued share capital

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Authorised:				
1 billion ordinary shares at no par value	10 000	10 000	10 000	10 000
60 million redeemable preference shares of 1 cent each	600	600	600	600
Issued:				
Issued ordinary shares at 30 June 2013: 270 010 639 made up as follows:				
Issued ordinary share capital				
270 010 639 (June 2012: 268 231 817) ordinary shares of 1 cent each	15 584	8 238	15 584	8 238
– Opening balance	8 238	2 659	8 238	2 659
– Issue of share capital	7 346	5 579	7 346	5 579
Issued preference share capital				
16 638 000 (June 2012: 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 21)	340 961	340 961	340 961	340 961
	356 711	349 365	356 711	349 365

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

20 Issued share capital (continued)

The Directors are authorised, by resolution of the members and until the forthcoming Annual General Meeting, to issue the unissued shares in accordance with the limitation set by members.

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

Each preference Shareholder has a call option to have their preference shares redeemed through the issue of ordinary shares subject to the following terms and conditions:

- Options may be exercised, no later than 31 December 2013, by giving written notice.
- The number of ordinary shares to which the preference Shareholders will be entitled on redemption shall be calculated by pre-defined formulae.
- All options may be exercised in whole or in part and any options not exercised by 31 December 2013 shall automatically lapse and the preference shares will be redeemed in cash at the original subscription price.

Contingent shares to be issued

AfroCentric's acquisition of a controlling interest in AHL in 2008 included a profit warranty provision that, on fulfilment, will trigger a Second Tranche issue of shares and the payment of an additional cash consideration to vendor Shareholders. The warranty considers the Aggregate Profits after Taxation ("PAT") over a three-year period which ended on 30 June 2013 ("the measurement period"). The quantum of the Second Tranche issue of shares and cash consideration to vendor Shareholders is based on the actual PAT delivered over the measurement period (as calculated in terms of a purposely fashioned definition of PAT). Based on the review by both buyer and seller, it has been determined that 90% of the targeted average PAT was achieved. This 90% profit warranty achievement results in 80% of the contingent shares being issues based on the formula per the acquisition agreement. AfroCentric will therefore issue 100 805 395 Second Tranche shares, based on its 94.07% shareholding in AHL, together with a cash payment equal to the aggregate distributions for the financial years 2010, 2011 and 2012.

Share repurchase – Offer to Shareholders with non-controlling interests

In terms of the Securities Regulation Code on Take-Overs and Mergers ("SRP Code") the Company was obliged to offer Minority Shareholders of AfroCentric Health Limited the opportunity to sell their AfroCentric Health Limited shares to AfroCentric on the same terms and conditions as those on which the AfroCentric Health Limited vendor shares were purchased by the Company. The offer opened in January 2009 and AfroCentric continued to acquire any shares offered to AfroCentric after the close of the offer. At 30 June 2013 the Company held 94.07% in AfroCentric Health Limited.

21 Share premium

	Group June 2013 R'000	Group June 2012 R'000	**Company June 2013 R'000**	Company June 2012 R'000
Opening balance	340 961	369 235	340 961	369 235
Issue of share capital	–	–	–	–
Dividend paid (note 37)	–	(28 274)	–	(28 274)
Closing balance	340 961	340 961	340 961	340 961

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

22 Non-controlling interest

	Group June 2013 R'000	Group June 2012 R'000	**Company June 2013 R'000**	Company June 2012 R'000
Balance at the beginning of the year	30 623	20 786	–	–
Dividend distributions (note 37)	(4 053)	(5 610)	–	–
Consolidation of Medscheme Zimbabwe (Pty) Ltd	–	476	–	–
Acquisition of Allegra (Pty) Ltd (note 4)	–	2 625	–	–
Acquisition of 49% of IE Business	446	–		
Disposal of 49% of Bonitas Marketing Company	3 093	–		
Share buy-back from non-controlling interests	(2 343)	(3 529)	–	–
Share of net profit of subsidiaries	22 439	15 875	–	–
	50 205	30 623	–	–

23 Interest bearing loan

	Group June 2013 R'000	Group June 2012 R'000	**Company June 2013 R'000**	Company June 2012 R'000
Bank borrowings	207 926	208 346	–	–
	207 926	208 346	–	–
Maturity analysis				
Non-current	200 000	200 000	–	–
Current	7 926	8 346	–	–
	207 926	208 346	–	–

The interest bearing borrowings above, bear interest at 93.5% of the Prime rate.

The bank has provided AfroCentric Investment Corporation Limited a primary lending facility of R10m (June 2012: R10m). This facility ranks pari passu with the preference share facility in the name of ACT Funding (Pty) Ltd and shares in the security provided for this facility.

The bank has provided ACT Funding (Pty) Ltd with a preference share facility of R200m (June 2012: R200m), guaranteed by AfroCentric Investment Corporation Limited and ACT Healthcare Assets (Pty) Ltd. This facility was initially due for redemption in March 2014, but agreement has been reached with the lenders, to extend the redemption for a further period of 3 years.

Security provided under the guarantees:

Pledge and cession by ACT Healthcare Assets (Pty) Ltd of its shares in AfroCentric Health Limited ("AHL") ordinary shares;

Pledge and cession by AfroCentric of

- R100 000 000 preference shares by Jasco Cables (Pty) Ltd and all its rights pertaining to such shares including a cession of the put option agreement dated 31/03/2008;
- 27.3% listed ordinary shares in Jasco Limited;
- Pledge and cession by ACT Funding (Pty) Ltd of 200 000 000 preference shares in ACT Healthcare Assets (Pty) Ltd;
- Dividend Sinking Fund with a minimum of 12 months preference dividend; and
- Top Up Sinking Fund at 200% by ACT Healthcare Assets (Pty) Ltd.

Borrowing powers

The Company's Memorandum of Incorporation is not restrictive in respect of maximum borrowing powers.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

24 Loans from Group companies

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
AfroCentric Health Limited	–	–	110 016	45 918

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

25 Provisions

	Audit fees R'000	Onerous contract R'000	IFRS 3 contingency R'000	Loss on guarantees R'000	Total R'000
Group					
Balance as at 1 July 2011	3201	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 underprovision	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
Charged/(credited) to the Statement of Comprehensive Income:					
– additional provisions	4 261	–	–	–	4 261
– reversal of provisions	–	(596)	–	–	(596)
– prior period underprovision	(415)	–	–	–	(415)
Utilised during the year	(3 352)	–	–	–	(3 352)
Balance as at 30 June 2013	3 677	–	8 350	5 000	17 027

* *In the prior year, 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. These amounts resulted in a net debit/loss to the Statement of Comprehensive Income of R19 million in 2012. The net after-tax result of this initiative was a R28.5 million (2012: R8.5 million) benefit to the Group. This arose mainly due to maintenance cost savings on buildings.*

	Audit fees R'000	Loss on guarantees R'000	Total R'000
Company			
Balance as at 1 July 2011	500	5 000	5 500
Charged/(credited) to the Statement of Comprehensive Income:			
– additional provisions	–	–	–
– reversal of provisions	–	–	–
– prior period underprovision	–	–	–
Utilised during the year	–	–	–
Balance as at 30 June 2012	500	5 000	5 500
Charged/(credited) to the Statement of Comprehensive Income:			
– additional provisions	160	–	160
– reversal of provisions	–	–	–
– prior period underprovision	–	–	–
Utilised during the year	–	–	–
Balance as at 30 June 2013	660	5 000	5 660

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

25 Provisions (continued)

Analysis of provisions:

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Non-current portion	8 350	8 350	–	–
Current portion	8 677	8 779	5 660	5 500
	17 027	17 129	5 660	5 500

Onerous contracts

The onerous provision related to rental space leased in Bryanston, 10 Muswell Road, where the unavoidable costs of rental paid exceed the expected benefits of sub-lease income.

A substantial portion of the onerous provision was reversed to the Statement of Comprehensive Income in the previous year due to the majority of the onerous leases being terminated. The remaining provision was settled during the current year, with the final payment in May 2013.

Loss on guarantees

The provision for loss on guarantees relates to a deposit put in place by the Company to serve as a good-faith deposit for an overdraft facility extended to a strategic target. The strategic target was placed in provisional liquidation during the 2012 year and as such, the Company has agreed that the R10 million deposit will under certain conditions be applied to reduce the overdraft indebtedness to Nedbank. Given the notarial bond held by the Company as security for the exposure, 50% of the exposure is expected to be recovered.

26 Post-employment medical obligations

The Medscheme Group operates a post-employment medical benefit scheme. The accumulated post-employment medical aid obligation was determined by independent actuaries in June 2013 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 are accrued over expected working lifetime.

	Group June 2013 R'000	Group June 2012 R'000
Balance at the end of the year	3 551	3 504

The amounts recognised in the Statement of Comprehensive Income are as follows:

	Group June 2013 R'000	Group June 2012 R'000
Current service cost	–	–
Interest cost	267	309
Expected benefit payments	(490)	(541)
Net actuarial gains recognised in the current year	270	(85)
Net movement for the year	47	(317)

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

26 Post-employment medical obligations (continued)

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

	Group June 2013 R'000	Group June 2012 R'000
Present value of funded obligations	3504	3 821
Interest cost	267	309
Expected employer benefit payments	(490)	(541)
Actuarial loss/(gain)	270	(85)
Accrued liability in excess of plan assets	3 551	3 504

The principal actuarial assumptions used were as follows:

	Group June 2013	Group June 2012
Discount rate	6.80% p.a.	8.25% p.a.
Healthcare cost inflation	8.20% p.a.	7.75% p.a.
Post-retirement mortality	PA(90) ultimate table*	PA(90) ultimate table*

* *rated down 2 years with a 1% improvement p.a. from 2006*

No explicit assumption was made about additional mortality or healthcare 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 health care cost inflation for the next five years, thereafter returning to a healthcare cost inflation of 8.20% p.a;
- A one percentage point decrease or increase in the discount rate.

	Healthcare Cost Inflation		
Disclosure Requirement Paragraph 120A(o) of IAS 19	**Central Assumption 8.20%**	**-1%**	**+1%**
Accrued Liability 30 June 2013 (R'Million)	3.551	3.539	3.564
% Change	–	-0.3%	+0.4%
Current Service Cost + Interest Cost 2013/2014 (R'Million)	0.224	0.223	0.225
% Change	–	-0.4%	+0.4%
Sensitivity Results from Previous Valuation	Central Assumptions 7.75%	-1%	+1%
Current Service Cost + Interest Cost 2012/2013 (R'Million)	0.267	0.266	0.269
% Change	–	-0.4%	+0.7%

	Healthcare Cost Inflation		
	Central Assumption 8.20%	**+5% for 5 years**	**+10 % for 5 years**
Accrued Liability 30 June 2013 (R'Million)	3.551	3.583	3.621
% Change	–	+0.9%	+2.0%

	Discount Rate		
	Central Assumption 6.80%	**-1%**	**+1%**
Accrued Liability 30 June 2013 (R'Million)	**3.551**	**3.767**	**3.358**
% Change	**–**	**+6.1%**	**-5.4%**

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

27 Accrual for straight-lining of leases

	Group R'000
Balance as at 1 July 2011	31 524
Credited to the Statement of Comprehensive Income:	
– movements in provision	(13 222)
Balance as at 30 June 2012	18 302
Credited to the Statement of Comprehensive Income:	
– movements in provision	(5 263)
Balance as at 30 June 2013	13 039

	June 2013 R'000	June 2012 R'000
Non-current portion	5 384	12 519
Current portion (note 28)	7 655	5 783
	13 039	18 302

28 Trade and other payables

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Trade payables	16 361	12 271	–	–
Accruals	22 353	20 431	–	–
Payroll creditors	19 702	20 059	–	–
Value Added Tax	14 195	10 365	–	–
Shareholders for dividends	2 468	3 340	55	61
Short-term portion of straight-lining lease accrual (note 27)	7 655	5 783	–	–
Inseta funding	261	142	–	–
Other payables	11 251	4 411	32	23
	94 246	76 802	87	84

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

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

29 Employment benefit liability

	Bonuses R'000	Leave pay R'000	Total R'000
Group			
Balance as at 1 July 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 period	(42 424)	(34 489)	(76 913)
Balance as at 30 June 2012	47 325	32 491	79 816
Charged/(credited) to the Statement of Comprehensive Income:			
– additional provisions	**67 978**	**41 487**	**109 465**
– amounts reversed	**(9 317)**	**–**	**(9 317)**
Used during the year	**(45 285)**	**(38 321)**	**(83 606)**
Balance as at 30 June 2013	**60 701**	**35 657**	**96 358**

The provision for management incentive bonuses is payable at the end of September 2013, whilst the remaining provision for staff is payable at the end of December 2013 to staff as part of a salary restructuring arrangement based on their cost to Company. The provisions are primarily in respect of leave pay to be settled in the next financial year.

Analysis of employee benefit liabilities:

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Current portion	**96 358**	79 816	**–**	–

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

30 Revenue

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Administration fees	**1 035 148**	866 410	**–**	–
Health risk management fees	**605 072**	542 249	**–**	–
Management fees	**11 922**	241	**–**	–
IT revenue and other	**118 188**	39 361	**–**	–
Total revenue	**1 770 330**	1 448 261	**–**	–

31 Profit before taxation

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

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Auditors' remuneration (included in 'other expenses')	**4 510**	5 108	**160**	585
Audit fees	**4 264**	4 388	**160**	500
Fees for consulting and other services	**664**	573	**-**	-
Prior period (over)/underprovision	**(415)**	147	**-**	85
Amortisation of development costs and other intangible assets	**40 098**	36 356	**-**	-
Depreciation of property, plant and equipment	**37 251**	38 128	**-**	-
Motor vehicles	**508**	303	**-**	-
Building infrastructure	**86**	209	**-**	-
Computer equipment	**25 195**	27 482	**-**	-
Furniture and fittings	**7 106**	6 735	**-**	-
Office equipment	**4 356**	3 399	**-**	-
Bad debt write-off	**4 540**	416	**-**	-
Reversal of IFRS 3 contingency*	**-**	(15 781)	**-**	-
Operating lease rentals (included in 'rentals and property costs')	**111 910**	107 638	**-**	-
Buildings	**109 043**	104 453	**-**	-
Computer equipment	**-**	217	**-**	-
Motor vehicles	**809**	437	**-**	-
Office equipment and furniture	**2 058**	2 531	**-**	-
Repairs and maintenance (included in 'rentals and property costs')	**4 589**	4 527		

* *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)*

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

31 Profit before taxation (continued)

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Directors' emoluments (included in 'employee benefit costs')				
Executive				
W Holmes	4 129	3 351	116	357
– Basic salary	2 021	1 892	–	–
– Bonus	717	712	–	–
– Company contributions	236	217	–	–
– Share based payment (note 38)	1 155	521	116	357
– Other allowances	–	9	–	–
D Dempers	33 003	–	9 750	–
– Basic salary	4 466	–	–	–
– Bonus	9 000	–	–	–
– Share-based payment (note 38)	19 500	–	9 750	–
– Company contributions	37	–	–	–
Non-executive				
For services as Directors (Basic salary)	2 266	2 204	–	–
A T M Mokgokong	725	757	–	–
MJ Madungandaba	657	623	–	–
S M Rothbart	385	464	–	–
B Bam	128	120	–	–
G Napier	191	120	–	–
Y Masithela	180	120	–	–
Employee benefit costs	973 272	784 660	798	3 816
Salaries and wages	845 893	691 510	798	1 666
Termination benefits	2 299	4 389	–	–
Incentive bonus	62 970	43 467	–	2 150
Staff welfare	21 669	14 891	–	–
Movement in post-employment medical obligation	47	(317)	–	–
Pension costs – defined contribution plans	40 394	30 720	–	–
Average number of persons employed by the Group during the period:				
South Africa	2 627	2 426	2	1
Full time	2 559	2 366	2	1
Part time	68	60	–	–
Outside of South Africa	298	186	–	–
Full time	278	182	–	–
Part time	20	4	–	–

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

31 Profit before taxation (continued)

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Dividends received				
Other	23	6	1 201	41 263
Profit on disposal of tangible assets	440	566	–	–
Profit/(loss) on disposal of investments	51 014	–	–	–
Loss on disposal of Agility Broker Services	(69)	–	–	–
Profit on sale of Bonitas Marketing (49%)	60	–	–	–
Profit on disposal of Tradebridge	51 023	–	–	–
Fair value gains	12 505	13 972	–	–
Fair value gain on investment property	4 700	200	–	–
Fair value gain on investment in associate	7 253	13 162	–	–
Fair value gain – other	552	610	–	–
Impairment of investment in associate	–	–	(4 121)	–
Reversal of impairment provisions against loans and investments	(4)	(1 175)	–	–
Impairment reversal of loan to Medscheme Zimbabwe	(4)	(18)	–	–
Impairment reversal of Sigma Health loan and investment	–	(1 157)	–	–
Other expenses				
Included in 'other expenses' are the following:				
Donations	2 767	2 696	–	–
Legal and consulting fees	76 146	66 544	1 440	338
Management costs	119 919	101 146	1 140	768
Marketing and recruitment	9 949	8 179	–	–
Straight-lining of leases	(5 263)	(13 222)	–	–
Provision for loss on guarantees	–	5 000	–	5 000

32 Net finance costs

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Finance costs	(16 673)	(17 508)	(6 362)	(3 502)
Cash and cash equivalents	(78)	(446)	(78)	(446)
Intercompany loans	–	–	(6 284)	(3 025)
Preference dividend paid	(15 894)	(16 184)	–	–
Other	(701)	(878)	–	(31)
Finance income	24 841	20 879	6 587	7 758
Cash and cash equivalents	12 122	10 927	539	558
Preference dividend received	6 048	7 200	6 048	7 200
Other	6 671	2 752	–	–
	8 168	3 371	225	4 256

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

33 Income tax expense

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Current taxation				
Current year charge	83 598	49 794	–	–
Prior year adjustment	50	(721)	–	(2 413)
Deferred taxation				
Current year charge/(credit)	1 200	(6 963)	(312)	(5 320)
Prior year adjustment	–	(700)	–	–
Secondary tax on companies	–	1 113	–	–
	84 848	42 523	(312)	(7 733)

Reconciliation of the tax rate

	Group June 2013 %	Group June 2012 %	Company June 2013 %	Company June 2012 %
South African normal tax rate	28.0	28.0	28.0	28.0
Adjust for:				
Disallowable expenses	13.38	6.71	23.30	3.64
Exempt income	(8.45)	(12.63)	(7.21)	(40.21)
Prior year adjustment:				
– current tax	0.51	(0.81)	–	(7.14)
– deferred tax	–	(0.30)	–	–
Secondary Tax on Companies	(0.24)	0.48	(2.26)	(2.91)
Capital Gains Tax	–	0.46	–	–
Utilisation of assessed losses	(1.65)	(2.83)	(40.72)	(4.50)
Effective rate of tax (%)	31.55	19.08	1.11	(23.12)

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

34 Earnings per share

The calculation of basic earnings per share for the Group is based on a net profit for the year of R163 570 000 (June 2012: net profit of R164 506 000), and a weighted average number of shares of 269.3 million (June 2012: 267.3 million) shares in issue. The calculation of headline earnings per share for the Group is calculated on adjusted headline earnings of R129 637 000 (June 2012: R148 793 000), and a weighted average number of shares of 269.3 million (June 2012: 267.3 million) shares in issue.

Reconciliation of headline earnings	Group June 2013 R'000	Group June 2012 R'000
Profit attributable to equity holders of the Company	163 570	164 506
Basic earnings	163 570	164 506
Adjusted for:		
Profit on disposal of investment	(51 014)	-
Fair value gain of investment	(5 252)	(1 175)
Fair value adjustment of investment in associate	(7 253)	(13 162)
Adjustments of impairments recognised by associate	30 030	-
Profit on disposal of assets	(440)	(566)
Fair value adjustment (other)	(4)	(810)
Headline earnings	129 637	148 793
Earnings per share (cents)		
Basic	60.75	61.55
Diluted	36.11	52.31
Headline earnings per share (cents)		
Basic	48.15	55.67
Diluted	28.62	47.58
Cash earnings per share (cents)		
Basic	126.43	95.48
Diluted	75.15	76.77
Weighted average number of shares	269 256 170	267 276 657
Adjusted for:		
– dilutionary impact of preference shares	70 202 830	49 857 645
– dilutionary impact of contingent shares	100 805 395	-
– dilutionary impact of management share options	12 688 767	15 250 000
Weighted average number of shares for diluted earnings per share	452 953 162	332 384 302

Effect on earnings per share resulting from contingent share issue

After a comprehensive analysis of AHL's profits after tax for the years 2011, 2012 and this 2013 financial year, measured in terms of the tailored definition of profit after tax, the Board are pleased to report that a level of 90% of the profit warranty was attained over the measurement period (refer to note 20).

A maximum number of 126 million ordinary shares, based on a shareholding of 94.07% in AHL, 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.

The formula applied for the release of the second tranche issue of shares, on this level of attainment, dictates that 80% of the contingent shares be issued to vendor Shareholders as defined. Accordingly 100 805 395 shares in respect thereof will be issued.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

35 Cash generated from operations

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Profit/(loss) before tax	**268 957**	222 904	**(28 094)**	33 445
Adjustments for:				
Dividends received	**(23)**	(6)	**–**	–
Dividends received from associates	**–**	–	**(1 201)**	(1 440)
Finance income	**(24 841)**	(20 879)	**(6 587)**	(7 758)
Finance cost	**16 673**	17 508	**6 362**	3 502
Bad debts written off	**4 540**	416	**–**	–
Increase/(decrease) in provision for bad debts	**(4 131)**	(2 908)	**–**	–
Net actuarial (gains)/losses	**47**	(317)	**–**	–
Depreciation	**37 251**	38 128	**–**	–
Reversal of IFRS 3 contingency	**–**	(15 781)	**–**	–
Amortisation of intangible assets	**40 098**	36 356	**–**	–
(Reversal of impairment)/impairment provision on investments	**(4)**	(1 175)	**–**	–
Impairment of investment in associate	**–**	–	**4 121**	–
Straight-lining of leases	**(5 264)**	(13 222)	**–**	–
Profit on disposal of assets	**(440)**	(566)	**–**	–
Profit on disposal of investment	**(51 014)**	–	**–**	–
Provision for loss on guarantee	**–**	5 000	**–**	5 000
Share-based payment expense	**39 868**	9 357	**17 665**	357
Onerous lease provisions	**(596)**	18 950	**–**	–
Fair value gains	**(12 505)**	(13 972)	**–**	–
Share of (losses)/profit of associates	**21 477**	(14 842)	**–**	–
Cash flow before working capital changes	**330 093**	264 951	**(7 734)**	33 106
Working capital changes	**10 320**	(9 799)	**(605)**	(687)
Trade and other receivables	**(450)**	(17 674)	**(768)**	(498)
Provisions	**17 036**	1 555	**160**	500
Trade and other payables	**(6 266)**	6 320	**3**	(689)
Cash generated from operations	**340 413**	255 152	**(8 339)**	32 419

36 Taxation paid

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Balance at the beginning of the year	**2 255**	(8 495)	**1 658**	–
(Charged)/credit to the Statement of Comprehensive Income	**(84 848)**	(42 523)	**312**	7 733
Deferred tax charge	**1 200**	(7 663)	**(312)**	(5 320)
Interest charged	**–**	(114)	**–**	–
Balance at the end of the year	**(6 912)**	(2 255)	**(1 658)**	(1 658)
	(88 305)	(61 050)	**–**	755

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

37 Dividends

AfroCentric Investment Corporation Limited passed a resolution whereby a dividend, out of retained earnings, was declared on 25 September 2012 of 10.5 cents per ordinary share and 29.8 cents per preference share. The Rand value of R33.2 million was paid during December 2012. This dividend was debited to retained earnings in 2013 but from share premium in 2012.

	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Dividend declared by AfroCentric Investment Corporation Limited on 25 September 2012 and paid during December 2012	**33 219**	28 274	**33 219**	28 274
Other dividends in the Group:				
Dividend declared by AfroCentric Health Limited on 26 September 2011 and paid to non-controlling interest during November 2012	**–**	3 289	**–**	–
Dividend declared and paid by Medscheme (Namibia) (Proprietary) Limited to non-controlling interests	**2 580**	2 321	**–**	–
Dividend declared and paid by Allegra (Proprietary) Limited to non-controlling interests	**1 473**	–	**–**	–

38 Share-based payments

The Company has allocated share-based awards to certain executive Directors of AHL as part of their remuneration package, in order to incentivise them to achieve the profit warranties. This award undertaking was provided for in the sale agreement of AHL to the Company. The share awards are at AfroCentric Group level. The Group cannot reliably measure the fair value of the services rendered nor the value of additional business received, hence the Group rebuts the presumption that such services and business can be measured reliably. The Group therefore measures their fair value with reference to the fair value of the share options or equity instruments granted, in line with the Group's accounting policy. The fair value of such share options and equity instruments is measured at grant date utilising the Binomial Lattice Valuation Model.

The granting of the share awards was based on job level, merit and performance and was entirely at the discretion of executive management acting on the recommendations of the Shareholders. Awards were allocated once in November 2009 and additional allocations were made from time to time, as deemed necessary to both existing and new employees.

	Group June 2013	Group June 2012	Company June 2013	Company June 2012
Executive awards	**20 000**	15 250	**4 660**	357
Movements in number of instruments:				
Outstanding at the beginning of the year	**15 250**	13 750	**357**	-
Exercised	**–**	–	**–**	–
Awarded	**7 800**	1 750	**4 500**	357
Active employees	**5 800**	1 750	**2 500**	357
Former employee	**2 000**	–	**2 000**	–
Shares with additional conditions	**(3 050)**	(250)	**(197)**	–
Outstanding at the end of the year	**20 000**	15 250	**4 660**	357

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

38 Share-based payments (continued)

As per the Shareholders' agreement dated 2008 a minimum of 20 million shares will be granted to executives of AHL. An additional 7 million shares will be granted to the following individuals: D Dempers, AfroCentric CEO, will be granted 5 million shares as reward for the 90% achievement of the profit warranty as well as compensation for his share options in AHL which he forfeited during the 2010 financial year when the Company was purchased by AfroCentric. The previous COO, Jon Rothbart, will also be the recipient of share awards in compensation for the services rendered during the acquisition of AHL by AfroCentric and his tenure of service during the profit warranty period.

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

Regarding Decrements

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

Economic assumptions	Group June 2013	Group June 2012	Company June 2013	Company June 2012
Number of instruments granted ('000)	–*	15 250	–*	–
Weighted average fair value per instrument granted (R)	–*	0.6135	–*	–
Weighted average share price (R)	–*	3.05	–*	–
Weighted average expected volatility (%)	–*	43.2	–*	–
Weighted average life (years)	–*	1	–*	–
Weighted average risk free interest rate (%)	–*	5.35	–*	–
Number of participants	–*	7	–*	–
Weighted average vesting period (years)	–*	1	–*	–
Expectation of meeting performance criteria (%)	–*	43.2	–*	–

** There were no economic assumptions used for 2013 as the fair value of instruments granted has been calculated on actual figures (shares allotted and grant date price of shares).*

39 Contingencies, commitments and guarantees

39.1 Contingencies

Exposure to errors and omissions in ordinary course of business

As for any business with similar operations, the Group is exposed to various potential claims relating to alleged errors and omissions or non-compliance with laws and regulations in the conduct of its ordinary course of business.

At the date of these annual financial statements, the Group is unaware of any material claims, actual or contemplated, by any of the Group's stakeholders or customers, except for those listed below.

Neil Harvey & Associates (Pty) Ltd

Neil Harvey & Associates has instituted a claim against Medscheme Holdings (Proprietary) Limited and three of its employees. The allegations concern alleged copyright infringement and a breach of the Medware licence agreement. The maximum capital amount of the claim is R83.5m. The claimant has brought an application to amend the claim amount to R390.4m but the arbitrator has not ruled on this application yet. The parties are engaged in private arbitration; however, it is unlikely that the matter will be finalised during the current financial year. Medscheme Holdings (Proprietary) Limited will continue to vigorously defend the claim and is confident that there will still be no liability in this matter.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

39 Contingencies, commitments and guarantees (continued)

39.1 Contingencies (continued)

Bonitas Medical Fund ("BMF") / Louis Pasteur Hospital ("LPH")

BMF instituted action against the LPH, some 4 years ago, for damages suffered as a result of the cession of two Sanlam policies to the hospital. BMF also instituted an action against Medscheme Holdings (Proprietary) Limited as the administrator. The maximum capital amount of the claim is R44m. BMF have been successful in their claim against LPH; however, the hospital has filed a notice of appeal. Bonitas have indicated they will withdraw the action against Medscheme if LPH is unsuccessful with its appeal. Medscheme has been advised that the merits of the claim of BMF are not legally sound and that the likelihood of liability on the part of Medscheme Holdings (Proprietary) Limited is remote under the circumstances.

39.2 Commitments

	June 2013 R'000	June 2012 R'000
Building rentals		
Rental obligations with respect to land and buildings		
Not later than 1 year	**64 003**	43 556
Later than 1 year but not later than 5 years	**54 145**	58 446
Later than 5 years	**–**	–
	118 148	102 002

Medscheme Holdings (Pty) Ltd previously sublet portions of its leased buildings to a number of third parties. There are currently no sublet contracts in place. Details and amounts thereof are provided in the table that follows:

The operating lease for Bryanston phase 3, which was sublet, came to an end in May 2013.

Sublet property	Lessee	Not later than 1 year	Later than 1 year but not later than 5 years	Later than 5 years	Total
June 2013					
No sublets at year-end		-	-	-	-
June 2012					
Bryanston phase 3 – 10 Muswell Road	Habitaz	1 613	-	-	1 613
		1 613	-	-	1 613

39.3 Guarantees

Economic assumptions	Group June 2013 R'000	Group June 2012 R'000	Company June 2013 R'000	Company June 2012 R'000
Guarantees issued in respect of office rental for premises occupied by the Group	**7 013**	7 527	**-**	-
Medical aid schemes	**500**	3 282	**-**	-
South African Post Office	**3 803**	3 803	**-**	-
	11 316	14 612	**-**	-

The Company has assessed that there is no risk of any of the guarantees being called up and accordingly no provision has been made.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

40 Related party transactions

40.1 Directors

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

The Directors' shareholdings are disclosed on page 108 of the annual financial statements. Transactions within the Group are listed below.

Mr J Rothbart received 2 million AfroCentric shares as compensation for his services during the acquisition of AHL by AfroCentric and his tenure of service during the profit warranty period. (Refer to note 38)

40.2 Transactions with entities in the Group

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

	Group June 2013 R'000	Group June 2012 R'000
Directors		
Medical aid contributions paid by Directors – to schemes administered by Medscheme Holdings (Pty) Ltd	322	321
Mr M J Madungandaba has a controlling interest in Namane Financial Services – consulting and marketing fees paid to Namane Financial Services	2 052	1 596
Mr S Rothbart has a controlling interest in Rothbart Inc. – consulting fees paid by Medscheme Holdings (Pty) Ltd	1 826	1 069
Associates		
Sigma Health Fund Managers (Proprietary) Limited – consulting fees paid to Medscheme Holdings (Proprietary) Limited	–	283
Medscheme Holdings (Proprietary) Limited – switching fees paid to TradeBridge (Proprietary) Limited	8 844	9 840
Medscheme Holdings (Proprietary) Limited – interest charged on loan to TradeBridge (Proprietary) Limited* *(Prior to sale)*	1 009	1 147
Jasco Electronics Holdings Limited - dividends received	1 201	1 440
Jasco Electronics Holdings Limited - finance income received	6 048	7 200
Jasco Electronics Holdings Limited - investment in preference shares	100 000	100 000
Medscheme Holdings (Proprietary) Limited – access control set-up costs paid to Jasco Security	1 885	–
Helios IT Solutions (Proprietary) Limited – communication set-up costs paid to Jasco Electronics	188	–
Subsidiaries		
AfroCentric Health Limited – consulting fees paid to Medscheme Holdings (Proprietary) Limited	8	–
AfroCentric Health Limited – profile fees paid to Helios IT Solutions (Proprietary) Limited	52	–
AfroCentric Health Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	914	914
AfroCentric Management Services (Proprietary) Limited – profile fees paid to Helios IT Solutions (Proprietary) Limited	171	–
Aid for Aids Management (Proprietary) Limited – switching fees paid to Helios IT Solutions (Proprietary) Limited	52	–
Aid for Aids Management (Proprietary) Limited – profile fees paid to Helios IT Solutions (Proprietary) Limited	2 488	–
Allegra (Proprietary) Limited – fixed assets transferred from Helios IT Solutions (Proprietary) Limited at book value	2 335	–
Bonitas Marketing Company (Proprietary) Limited – profile fees paid to Helios IT Solutions (Proprietary) Limited	2	–
Bonitas Marketing Company (Proprietary) Limited – broker fees paid to Medscheme Holdings (Proprietary) Limited	1 354	–
Bonitas Marketing Company (Proprietary) Limited – on site support fees paid to Helios (Proprietary) Limited	157	–

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

40.2 Transactions with entities in the Group (continued)

	Group June 2013 R'000	Group June 2012 R'000
Helios IT Solutions (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	–	6 000
Helios IT Solutions (Proprietary) Limited – consulting fees paid to Medscheme Holdings (Proprietary) Limited	308	–
Helios IT Solutions (Proprietary) Limited – management fees paid to AfroCentric Management Services (Proprietary) Limited	2 400	–
Helios IT Solutions (Proprietary) Limited – fixed assets transferred from Medscheme Holdings (Proprietary) Limited at book value	76 266	–
Helios IT Solutions (Proprietary) Limited – switching fees paid to Allegra (Proprietary) Limited	26 408	14 218
IE Business Insight Strategic Consulting (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	360	360
IE Business Insight Strategic Consulting (Proprietary) Limited – profile fees paid to Helios IT Solutions (Proprietary)	18	–
IE Business Insight Strategic Consulting (Proprietary) Limited – management fees paid to Marabou Travel Management (Proprietary) Limited	1 186	1 186
IE Business Insight Strategic Consulting (Proprietary) Limited – fixed assets transferred from Helios IT Solutions (Proprietary) Limited at book value	4 858	–
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	1 320
Medscheme Administrators Swaziland (Proprietary) Limited – switching fees paid to Helios IT Solutions (Proprietary) Limited	195	–
Medscheme Administrators Swaziland (Proprietary) Limited – profile fees paid to Helios IT Solutions (Proprietary) Limited	338	–
Medscheme Administrators Swaziland (Proprietary) Limited – licence and support fees paid to Helios IT Solutions (Proprietary) Limited	1 925	1 858
Medscheme Holdings (Proprietary) Limited – management fees paid to AfroCentric Management Services (Proprietary) Limited	23 480	25 020
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	157	147
Medscheme Holdings (Proprietary) Limited – switching fees paid to Helios IT Solutions (Proprietary) Limited	11 699	10 699
Medscheme Holdings (Proprietary) Limited – information technology admin fees paid to Helios IT Solutions (Proprietary) Limited	195 449	80 309
Medscheme Holdings (Proprietary) Limited – profile fees paid to Helios IT Solutions (Proprietary) Limited	56 257	–
Medscheme Namibia (Proprietary) Limited – licence and support fees paid to Helios IT Solutions (Proprietary Limited)	3 877	3 094
Medscheme Namibia (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	324	324
Medscheme Namibia (Proprietary) Limited – processing fees paid to Medscheme Holdings (Proprietary) Limited	–	64

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

40.2 Transactions with entities in the Group (continued)

	Group June 2013 R'000	Group June 2012 R'000
AfroCentric Health Limited – management fees paid to AfroCentric Investment Corporation	**100**	–
AfroCentric Investment Corporation Limited – loan advanced by AfroCentric Health Limited ** Balance at year-end*	**64 098**	45 918
AfroCentric Investment Corporation Limited – interest charged on loan from AfroCentric Health Limited	**6 284**	2 995
AfroCentric Investment Corporation Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	**1 000**	600
AfroCentric Investment Corporation Limited – interest charged on loan from Medscheme Holdings (Proprietary) Limited	**–**	30
Other		
Invisible Card Company (proprietary) Limited – loan advanced by AfroCentric Health Limited	**7 500**	3 199
Invisible Card Company (proprietary) Limited – interest charged on loan from AfroCentric Health Limited	**760**	240

40.3 Key management personnel compensation

	Group June 2013 R'000	Group June 2012 R'000	**Company June 2013 R'000**	Company June 2012 R'000
Short-term employee benefits	**4 521**	8 844	**–**	–
Share-based payments (note 38)	**39 868**	1 171	**17 665**	–

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

40.4 Inter-Group 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

41 Pensions and other retirement obligations

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

42 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.

Notes to the Group Annual Financial Statements

for the year ended 30 June 2013

43 Subsequent events

AfroCentric Investment Corporation Limited dealings

Given the mandatory offer Afrocentric (ACT) was obliged to make to AHL minority shareholders, the 2009 Circular, containing such offer, were on identical terms on which the initial controlling interest was acquired from the vendors (as defined in the 2008 agreement).

The first tranche payments provided for in the agreements and Circular, were settled in 2009 and second tranche payments were conditional on the extent of the profit warranty attainment. Note 34 provides details of the outcome of the profit warranty measurement and the nature and extent of the second tranche payments to be made. For easy reference, based on the profit warranty attainment and the 94.07% level of ownership, 100 805 395 shares will be proportionally issued to all vendor shareholders, including a cash consideration of R26 million during November 2013. The second tranche cash consideration represents the aggregate distributions per ordinary share, to which second tranche shares would have been entitled, had they been previously issued. The actual amount payable to each qualifying shareholder may vary marginally, depending on the date their shares were offered to the company for sale.

The directors are satisfied that payment of the second tranche cash consideration will have no effect on future earnings nor materially impact the Groups working capital resources.

This is a non-adjusting event.

No other subsequent events occurred prior to approval of the Annual Financial Statements.

Purchase of Alexander Forbes Kenya

Further to the diversification strategy that the Group has embarked upon to diversify its revenue streams outside of the healthcare administration services in South Africa, Medscheme Holdings (Pty) Ltd has purchased a 26% stake in Alexander Forbes Healthcare Limited in Kenya effective 1 August 2013. The Kenyan business specialises in health insurance products.

The Company has changed its name to AfroCentric Health Solutions and the AfroCentric Health executives will play an active role in designing and supporting new product changes for the Kenyan market.

This is a non-adjusting event.

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

SHAREHOLDERS' CALENDAR

2013 Final ordinary dividend

Declaration date	26 September 2013
Last date to trade cum dividend	7 February 2014
Ex dividend trade	10 February 2014
Record date	14 February 2014
Payment date	17 February 2014

Financial year-end	30 June
Annual General Meeting	23 January 2014
Announcement of interim results	March
Announcement of annual results	September
Posting of annual report	December

NOTICE OF ANNUAL GENERAL MEETING

Notice of the Seventh Annual General Meeting of Shareholders: 23 January 2014 at 12:00

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 ("the Company"), 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 23 January 2014 at 12:00 are requested to ensure registration of attendance upon arrival.

4. The record date for the purpose of determining which shareholders are entitled to receive notice of the Annual General Meeting is Friday 29 November 2013.

   Accordingly, the last date to trade in order to be eligible to participate in and vote at the Annual General Meeting is Friday 10 January 2014.

5. The record date of the Annual General Meeting for Shareholders to participate in and vote at the Annual General Meeting is Friday 17 January 2014. Members intending to attend or participate in the Annual General Meeting will be required to present reasonably satisfactory identification.

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
   PO Box 61051, Marshalltown, 2107

   Fax No: +27 (11) 688 5238

   BY NO LATER THAN 12:00 ON 22 JANUARY 2014.

The purpose of this notice to AfroCentric Investment Corporation Limited Shareholders is to give notice of the convening of the forthcoming Seventh 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. To receive and consider the Financial Statements of the Company for the Financial Year ended 30 June 2013.
5. The Audit Committee Report for the year ended 2013.
6. Re-appointment of the auditor.
7. Election/re-election of Directors.
8. Appointment of members to the Audit Committee and approval of the Committee charter.
9. Placing the authorised but unissued share capital of the Company under the control and authority of the Directors.
10. Approval to issue ordinary shares and to sell treasury shares for cash.
11. Endorsement of the Remuneration Policy.
12. Authority of Directors.

NOTICE IS HEREBY GIVEN of the **Annual General Meeting** of Shareholders of **AFROCENTRIC INVESTMENTS CORPORATION LIMITED** ("the Company"), to be held on **THURSDAY 23 JANUARY 2014,** at **12:00** at **AFROCENTRIC HEAD OFFICE, 11TH FLOOR, SANDTON CITY TOWERS, SANDTON CITY, SANDTON,** 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 the Special Resolution:

1. SPECIAL RESOLUTION NUMBER 1: GENERAL APPROVAL TO REPURCHASE SHARES

RESOLVED THAT the Company and/or any subsidiary of the Company ("the Group") be and is hereby authorised by way of a general approval as contemplated in section 48 of the Companies Act of 2008 (Act No 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 thereto is given 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) 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 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 persons:

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 Act that the proposed Non-Executive Directors' fees for the next 12 months, payable quarterly in arrears, with effect from 1 February 2014, to be as follows:

Position	Committee	Present rate	Proposed Rate
Chairman	Board and fully inclusive	R 150 000	R 180 000
Non-Executive Director	Board only	R 150 000	R 180 000

Reason for and effect of Special Resolution Number 3

The reason for and effect of Special Resolution Number 3 is to ensure that the level of annual fees paid to Non-Executive Directors remains competitive, to enable the Company to attract and retain individuals of the calibre required to make a meaningful contribution to the Company, having regard to the appropriate capability, skills and experience required. The Board has recommended that the level of fees paid to Non-Executive Directors be adjusted as proposed with effect from 1 February 2014.

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.

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

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions. The percentage of voting rights that will be required for the adoption of each ordinary resolution is the support of more than 50% of the voting rights exercised on the resolution. In the case of Ordinary Resolution Numbers 9 and 10, the JSE Listings Requirements prescribe a 75% majority vote.

4. ORDINARY RESOLUTION NUMBER 1: FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

RESOLVED THAT the audited consolidated annual financial statements of the Company for the financial year ended 30 June 2013, together with the report of the Directors and the external 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 Annual Financial Statements be and are approved and confirmed.

5. ORDINARY RESOLUTION NUMBER 2 : AUDIT COMMITTEE REPORT FOR THE; 2013

RESOLVED THAT the Audit Committee Report of the Company for the 2013, 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.

6. ORDINARY RESOLUTION NUMBER 3 : APPOINTMENT OF AUDITOR AND DETERMINATION OF AUDITOR'S FEES:

6.1 RE-APPOINTMENT OF THE INDEPENDENT REGISTERED AUDITOR

The Audit Committee, having satisfied itself that the current auditor satisfies the independence requirements prescribed by section 94(8) of the Companies Act, Act 71 of 2008 (the "Act") and further, after having confirmed that automatic rotation in terms of section 92 of the Act does not apply, recommends that the current auditor, SizweNtsaluba (the "Current Auditor"), be re-appointed as the auditor for the Company for the financial year ending 30 June 2014.

BE IT RESOLVED THAT the Current Auditor be re-appointed as the auditor of the Company for the financial year ending 30 June 2014.

Failing approval of Resolution 3 above, it is noted that in terms of section 90(7) of the Act, the Board of the Company is required to appoint an auditor within 40 (forty) Business Days from the date of this meeting, and as such the following resolution is proposed:

6.2 APPOINTMENT OF THE INDEPENDENT AUDITOR VIA TENDER

BE IT RESOLVED THAT in identifying a suitable candidate for appointment as auditor, taking into consideration the requirements of the Act, the Board shall do so by way of tender, and in doing so the Current Auditor shall be invited to participate in such process, and if successful capable of being appointed

6.3 REMUNERATION OF AUDITOR

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

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

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

Mr MI SACKS (Non-Executive Director)

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

Qualifications: CA(SA); AICPA (ISR)

Occupation: Retired

Motty is a qualified Chartered Accountant with an esteemed career in business. He was the co-founder of Netcare Limited and served as Chairman of the Board for 15 years until his retirement in 2011. Motty was also a co-founder of Net 1 (Aplitec Limited) and also served as its Non-Executive Chairman.

Motty has served as a Non-Executive Director on several listed institutions, including being the Non-Executive Chairman of Advtech Limited, South Africa's largest private education institution. Motty has also served as a Director of the International Association of Political Consultants, of which he has been a member since 1983. He is actively involved in black economic empowerment initiatives and serves on numerous committees and trusts dedicated to supporting these objectives.

Motty served as a Non-Executive Chairman and thereafter as a Non-Executive Director of Network Healthcare Holdings Limited ("Netcare"), for a period of 12 years after having acted as executive chairman for 10 years, with Netcare.

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

Dr NB Bam (Non-Executive Director)

Business address: 412A Kings Highway, Lynnwood, 0181

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. Brigalia 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.

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

Mr JM Kahn (Independent Non-Executive Director)

Business address: 1 Marignane Drive, Bonaero Park, 1619

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

Occupation: Meyer is currently an Independent Non-Executive Director on the Comair Limited Board.

In 1981 Meyer 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.

Meyer 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) by way of an honorary doctorate in Commerce (1990).

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

Mr J Appelgryn (Independent Non-Executive Director)

Business address: 1st Floor, Holiday House, 156 Bram Fischer Drive, Randburg, 2194

Qualifications: CA(SA)

Occupation: Corporate advisor

Joe Appelgryn is a Chartered Accountant, having served articles at Ernst & Young, with experience in transaction advisory, capital raising and business and project appraisals. In 2004, he founded Sinergi Corporate Advisors ("Sinergi") and has since raised more than R2 billion in funding for his clients and has led transactions for a range of listed and unlisted businesses. His experience spans a wide range of industries focusing on Healthcare and Wood & Paper industries. Prior to Sinergi, Joe worked at the Industrial Development Corporation of SA Ltd ("IDC") for 8 years where he was active in the Wood & Paper Business Unit and in the establishment of the Healthcare & Education Business Unit. He has served on a number of boards and as Acting Chairman, Vice-Chairman and Trustee of Resolution Health Medical Scheme ("RHMS"). He was also member of RHMS's Audit and Risk Management Committees.

8. ORDINARY RESOLUTION NUMBER 7 : APPOINTMENT OF MEMBERS AND CHAIRPERSON TO THE AUDIT COMMITTEE AND THE APPROVAL OF THE Audit Committee CHARTER:

To elect, by way of separate resolutions, the following Independent Directors as Members of the Company's Audit Committee until the conclusion of the next Annual General Meeting:

8.1 Mr MI SACKS (Non-Executive Director)

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

Qualifications: CA(SA); AICPA (ISR)

Occupation: Retired

Motty is a qualified Chartered Accountant with an esteemed career in business. He was the co-founder of Netcare Limited and served as Chairman of the Board for 15 years until his retirement in 2011. Motty was also a co-founder of Net 1 (Aplitec Limited) and also served as its Non-Executive Chairman.

Motty has served as a Non-Executive Director on several listed institutions, including being the Non-Executive Chairman of Advtech Limited, South Africa's largest private education institution. Motty has also served as a Director of the International Association of Political Consultants, of which he has been a member since 1983. He is actively involved in black economic empowerment initiatives and serves on numerous committees and trusts dedicated to supporting these objectives.

8.2 Ms Y Masithela (Independent Non-Executive Director: to elect as Member and Chairperson)

Business address: Absa Towers East, 3rd Floor, 170 Main Street, Johannesburg, 2001

Qualifications: 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 the Witwatersrand), Masters of Laws in Taxation (2004) (University of the Witwatersrand).

Occupation: Yasmin is currently General Counsel at ABSA Financial Services.

Yasmin 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.

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

8.3 Mr. G Napier (Independent Non-Executive Director)

Business address: Edgardale, Press Avenue, Crown Mines, Johannesburg, 2092

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

Occupation: Garth is currently a Marketing and Business Strategy Executive at Edcon. Garth was formerly employed at McKinsey & Company.

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

8.4 Mr J Appelgryn (Independent Non-Executive Director)

Business address: 1st Floor, Holiday House, 156 Bram Fischer Drive, Randburg, 2194

Qualifications: : CA(SA)

Occupation: Corporate advisor

Joe Appelgryn is a Chartered Accountant, having served articles at Ernst & Young, with experience in transaction advisory, capital raising and business and project appraisals. In 2004, he founded Sinergi Corporate Advisors ("Sinergi") and has since raised more than R2 billion in funding for his clients and has led transactions for a range of listed and unlisted businesses. His experience spans a wide range of industries focusing on Healthcare and Wood & Paper industries. Prior to Sinergi, Joe worked at the Industrial Development Corporation of SA Ltd ("IDC") for 8 years where he was active in the Wood & Paper Business Unit and in the establishment of the Healthcare & Education Business Unit. He has served on a number of boards and as Acting Chairman, Vice- Chairman and Trustee of Resolution Health Medical Scheme ("RHMS"). He was also member of RHMS's Audit and Risk Management Committees.

Ordinary resolutions

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions. The percentage of voting rights that will be required for the adoption of each ordinary resolution is the support of more than 50% of the voting rights exercised on the resolution. In the case of Ordinary resolution Numbers 9 and 10, the JSE Listings Requirements prescribe a 75% majority vote.

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

Resolved that the authorised but unissued ordinary shares in the capital of the Company be and they are hereby placed under the control and authority of the Directors of the Company ("Directors") and that the Directors be and they are hereby authorised and empowered to allot and issue or any of such ordinary shares, or to issue any options in respect of all or any of such ordinary shares, to such person/s on such terms and conditions and at such times as the Directors may from time to time and in their discretion deem fit, subject to the provisions of sections 38 and 41 of the Companies Act, 2008, the Memorandum of Incorporation of the Company and the Listings Requirements of the JSE Limited ("JSE Listings Requirements"), as amended from time to time.

05

10. ORDINARY RESOLUTION NUMBER 6 : APPROVAL TO ISSUE ORDINARY SHARES, AND TO SELL TREASURY SHARES, FOR CASH

Resolved that the Directors of the Company and/or any of its subsidiaries from time to time be and they are hereby authorised, by way of a general authority, to:

10.1 Allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the Company; and/or

10.2 Sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the Company purchased by subsidiaries of the Company,

for cash, to such person/s on such terms and conditions and at such times as the Directors may from time to time in their discretion deem fit, subject to the Companies Act, 2008, the Memorandum of Incorporation of the Company and its subsidiaries and the JSE Listings Requirements from time to time.

Notes: The JSE Listings Requirements currently provide, inter alia, that:

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

any such issue may only be made to "public Shareholders" as defined in the JSE Listings Requirements and not to related parties;

the number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 15% (fifteen percent) of the number of issued ordinary shares. The number of ordinary shares which may be issued shall be based, inter alia, on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application; less any ordinary shares issued, or to be issued in future arising from options/convertible ordinary shares issued during the current financial year; plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced;

this general authority will be valid until the earlier of the Company's next Annual General Meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;

an announcement giving full details, including the impact on net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share.

11. ORDINARY RESOLUTION NUMBER 7 : ENDORSEMENT OF THE REMUNERATION POLICY:

Resolved that the Shareholders endorse, on a non-binding advisory basis, the Remuneration Policy. Note: King III recommends that the Company's remuneration policy (which appears on pages 76 to 79 of the Integrated Annual Report) be tabled to Shareholders for a non-binding advisory vote at each Annual General Meeting.

12. ORDINARY RESOLUTION NUMBER 8: AUTHORITY OF DIRECTORS:

RESOLVED THAT any two Directors of the Company be and are hereby authorised to do all such things, sign all such documents and procure the doing of all such things and the signature of all such documents as may be necessary for or incidental to the implementation of the resolutions passed at the Annual General Meeting of Shareholders of the Company held on 23 January 2014.

OTHER BUSINESS: To transact such other business as may be transacted as an Annual General Meeting of Shareholders.

By order of the Board

AFROCENTRIC

AfroCentric INVESTMENTS LIMITED
(Reg No. 2006/005087/06)
("the Company")

FORM OF PROXY RELATING TO THE FIFTH Annual General Meeting OF The Company TO BE HELD ON THURSDAY, 23 JANUARY 2014 AT 12:00.

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 :

A) Special Resolutions			For	Against	Abstain
1.	General approval to repurchase shares.				
2.	Inter-company loans and other financial assistance				
3.	Fees payable to Non-Executive Directors				
B) Ordinary Resolutions					
4.	Financial Statements for the financial year ended 30 June 2013				
5.	Audit Report for the year ended 2013				
6.	Auditors				
	6.1	Re-appointment of the independent registered auditor			
	6.2	Appointment of auditor via tender			
	6.3	Authority to determine remuneration			
7.	Election/re-Election of Directors.				
	7.1	MI Sacks			
	7.2	NB Bam			
	7.3	JM Kahn			
	7.4	J Appelgryn			
8.	Appointment of Members and Chairperson to the Audit Committee				
	8.1	MI Sacks			
	8.2	Y Masithela (Chairperson)			
	8.3	G Napier			
	8.4	J Appelgryn			
9.	Control of authorised, but unissued shares				
10.	Approval to issue ordinary shares, and to sell treasury shares, for cash				
11.	Endorsement of the remuneration policy				
12.	Authority of Directors to sign documents				

Signed on this __________ day of ________________________ 2014

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 page 187, to be received by no later than 12:00 on Wednesday 17 January 2014, or as allowed by the Chairman. 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 a 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 No 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.

AFROCENTRIC

ADMINISTRATION & CONTACTS

AFROCENTRIC ROODEPOORT (HEAD OFFICE)
Registered address
37 Conrad Road
Florida North
Roodepoort
1709

Postal address
Private Bag X34
Benmore
2010

AFROCENTRIC SANDTON OFFICE
Michael (Motty) Sacks
11th Floor
Sandton City Office Tower
Cnr of Rivonia Road and 5th Street
Sandhurst, Ext 3
Sandton
Tel +27 87 351 2054 (Direct)

COMPANY SECRETARY
Statucor (Pty) Ltd
22 Wellington Road
Parktown
2193
Tel: +27 (010) 060 5529

Postal address
Private Bag X60500
Houghton
2041

INVESTOR RELATIONS
We welcome comments and feedback on our Integrated Annual Report.

Caroline McEvoy CA(SA)
Tel +27 11 758 8013
Fax +27 11 671 5277
carolinemc@medscheme.co.za

Shivani Ramdhani CA(SA)
Tel +27 11 671 2750
Fax +27 11 671 3013
shivanir@medscheme.co.za

SPONSOR
Sasfin Capital (A division of Sasfin Bank Limited)
29 Scott Street
Waverley
2090
Tel +27 11 809 7500
Fax +27 11 887 6167

PO Box 95104
Grant Park
2051

TRANSFER SECRETARIES
Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg
2001
Tel +27 861 100933

PO Box 61051
Marshalltown
2107

AFROCENTRIC INVESTMENT CORPORATION LIMITED
JSE SHARE CODE ACT, ACTP
ISIN NUMBERS ZAE 000078416, ZAE 000082269
COMPANY REGISTRATION NUMBER 1988/000570/06

www.afrocentric.za.com

AFROCENTRIC
GROUP

37 Conrad Road, Florida North, Roodepoort, 1709
Postal address, Private, Bag X34, Benmore, 2010
Tel +27 11 758 8013 Fax +27 11 671 5277

www.afrocentric.za.com