THE REPORT OF HISTORICAL FINANCIAL INFORMATION OF AHL

This Annexure contains a report on the historical financial information of AHL. The information has been extracted *inter alia* from the audited financial statements of AHL which were prepared in the manner required by the Act, where applicable and in accordance with IFRS for the three years ended 30 June 2014, 30 June 2013 and 30 June 2012. The information presented in this Annexure 2 is the responsibility of the directors of AHL.

There has been no material change in the nature of the business of AHL since 31 December 2014 up to the Last Practicable Date.

REVIEW OF ACTIVITIES

Six months ended 31 December 2014 and year ended 30 June 2014

AHL's revenue increased by 10.6% for the year ended 30 June 2014. The growth was mainly driven by incremental medical scheme membership across the total portfolio. In order to create greater IT capacity and the development of clinical skills, additional human resources were recruited to service the Group's organic growth, including requirements arising through successful awards of additional contracts. Consequently, the cost base of the Group increased disproportionately during the second half of the year ended 30 June 2014. This increase in the cost base remained static for the six months ended 31 December 2014, with a more efficient recovery rate being attained in this period. During February 2014, Medscheme was awarded a claims administration contract from the Road Accident Fund ("RAF"). The contract entailed the legal, medical and financial analysis of RAF claims. This contract is expected to generate more meaningful revenues in the 2015 financial year. In addition, Helios, AHL's IT subsidiary, was appointed the IT systems service provider to CIMAS, the largest medical scheme in Zimbabwe. This contract was only effective from 1 January 2014 and should similarly make a greater contribution to Group revenues in the 2015 financial year. Over the past four years Medscheme's core operations have enjoyed a compound average growth rate of 28.6%.

30 June 2013

The increase in revenue of 22.24% for the year ended 30 June 2013 was mainly due to organic growth, growth in the GEMS administration and managed care contracts as well as contributions from acquired and expanding divisions. Further efficiency improvements in the health-care business via greater economies of scale contributed to an even higher increase in operating profit of 29% (2012: 16%). Management also stated its intention to integrate and streamline all acquired and expanding divisions to rationalise with existing Medscheme operations going forward. The reduction in other income was mainly due to the termination of sub-let office space, rental contracts in the old Bryanston premises. AHL's core health-care business therefore continued its rate of compound growth in earnings of 35% for the past four years. On a comparative basis, net-profit before tax increased by 21.5% (2012: 29.2%).

30 June 2012

Operating profit increased by 16.2% to R259 million. Given the rationalisation benefits enjoyed through the Old Mutual acquisition, including further savings in rentals, IT costs and other overhead expenditure, the business was managed off a more efficient platform resulting in a better quality of earnings.

STATEMENT OF FINANCIAL POSITION

	Notes	Group December 2014 R'000	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
ASSETS					
Non-current assets		**663 009**	**679 758**	**737 452**	**623 129**
Plant and equipment	5	96 522	100 143	90 349	97 016
Investment property	6	15 000	15 000	15 000	10 300
Intangible assets	7	474 631	453 793	475 912	408 543
Investments in associates	9	12 635	31 250	6 517	26 819
Investment in holding company	10	5 577	5 041	2 324	1 772
Interest bearing loan	11	–	–	74 000	–
Other investments		17 728	–	–	–
Deferred income tax assets	12	40 916	74 531	73 350	78 679
Current assets		**613 528**	**629 007**	**538 628**	**354 634**
Current portion of Interest bearing loan	11	–	–	2 378	–
Trade and other receivables	13	210 359	185 519	125 241	107 241
Receivable from associate	14	4 712	4 432	–	14 591
Loan to holding company	15	91 748	75 342	110 016	45 918
Cash, cash equivalents and deposits	16	283 685	356 739	295 739	182 138
Inventory	17	4 610	4 610	–	–
Taxation	32	18 414	2 365	5 254	4 746
Total assets		**1 276 537**	**1 308 765**	**1 276 080**	**977 763**
EQUITY AND LIABILITIES					
Capital and reserves		**1 074 953**	**1 051 298**	**1 013 078**	**752 866**
Issued share capital	18	5 599	5 599	5 599	5 599
Share premium	19	380 882	380 882	380 882	380 882
Share-based payment reserve		9 950	9 950	31 203	9 000
Foreign currency translation reserve		2 350	1 337	1 254	(646)
Retained earnings/(accumulated loss)		676 172	653 530	594 140	358 031
Non-controlling interest	20	15 478	16 543	17 098	10 890
Total equity		**1 090 431**	**1 067 841**	**1 030 176**	**763 756**
Non-current liabilities		**13 582**	**43 090**	**52 368**	**54 195**
Deferred income tax liabilities	12	4 480	36 457	43 434	38 172
Post-employment medical obligations	21	3 440	3 202	3 551	3 504
Accrual for straight-lining of leases	22	5 662	3 431	5 383	12 519
Current liabilities		**172 524**	**197 834**	**193 536**	**159 812**
Provisions	23	2 295	3 367	3 017	3 279
Trade and other payables	24	95 385	104 348	94 161	76 717
Employment benefit liability	25	74 844	90 119	96 358	79 816
Taxation	32	–	–	–	–
Total liabilities		**186 106**	**240 924**	**245 904**	**214 007**
Total equity and liabilities		**1 276 537**	**1 308 765**	**1 276 080**	**977 763**

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Group December 2014 R'000	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Revenue		**1 017 196**	**1 954 705**	**1 771 370**	**1 449 029**
Revenue from healthcare administration, managed healthcare and related IT services	26	1 017 196	1 954 705	1 771 370	1 449 029
Other income		**17 329**	**39 377**	**30 100**	**28 147**
Dividends received	27	164	2	23	6
Fair value gains	27	536	2 717	5 252	810
Rental income from operating leases		–	–	2 225	8 356
Sundry income		571	2 619	59	5 285
Finance income	28	16 058	34 039	22 541	13 690
Amortisation of intangible assets	7	(20 502)	(40 611)	(33 786)	(31 024)
Bad debt write-off	27	(10)	(189)	(4 540)	(416)
Share-based payment expense		–	(9 950)	(22 203)	(9 000)
Depreciation	5	(17 990)	(40 475)	(37 251)	(38 128)
Employee benefit costs	27	(592 439)	(1 112 616)	(972 474)	(780 844)
Finance costs	28	(710)	(754)	(602)	(709)
Information technology costs		(47 829)	(116 429)	(120 911)	(108 883)
Profit/(loss) on disposal of investments	27	–	–	51 014	–
Profit on disposal of plant and equipment	27	(108)	(235)	440	566
Impairment provision against loans and investments	27	–	–	4	1 175
Impairment of Intangible assets	7	–	(40 620)	–	–
Other expenses	27	(137 771)	(238 720)	(221 703)	(174 949)
Decrease in provision for doubtful debts		–	–	4 131	2 908
Provision for onerous contracts		–	–	596	(18 950)
Rentals and property costs	27	(59 325)	(123 136)	(115 523)	(112 165)
Share of profits from associates	9	1 246	1 536	8 553	8 854
Reversal of IFRS 3 contingency		–	–	–	1 475
Profit/(loss) before income tax		**159 087**	**271 883**	**337 215**	**217 086**
Income tax	29	(37 013)	(79 345)	(86 368)	(47 564)
Profit/(loss) for the year		**122 074**	**192 538**	**250 847**	**169 522**
Other comprehensive income (recycled to profit and loss)					
Movement in foreign currency translation reserve		1 013	83	1 900	(887)
Total comprehensive income/(loss) for the year		**123 087**	**192 621**	**252 747**	**168 635**
Attributable to:					
Ordinary shareholders		119 759	186 338	246 022	164 866
Non-controlling interest	20	3 328	6 283	6 725	3 769
		123 087	**192 621**	**252 747**	**168 635**

STATEMENT OF CHANGES IN EQUITY

Group	Share capital R'000	Share-based payment reserve R'000	Share Premium R'000	Retained earnings R'000	Foreign currency translation reserve R'000	Total R'000	Non-controlling interest R'000	Total equity R'000
Balance as at 01 July 2011	**5 599**	**–**	**423 994**	**189 511**	**241**	**619 345**	**6 341**	**625 686**
Total comprehensive income for the year	–	–	–	165 753	(887)	164 866	3 769	168 635
Equity arising on consolidation of Medscheme Zimbabwe	–	–	–	454	–	454	476	930
Acquisition of Allegra (Pty) Ltd (note 4)	–	–	–	–	–	–	2 625	2 625
Share-based payment expense	–	9 000	–	–	–	9 000	–	9 000
Dividend paid (note 33)	–	–	(43 112)	–	–	(43 112)	(2 321)	(45 433)
Dividends reclaimed	–	–	–	2 313	–	2 313	–	2 313
Balance as at 01 July 2012	**5 599**	**9 000**	**380 882**	**358 031**	**(646)**	**752 866**	**10 890**	**763 756**
Total comprehensive income for the year	–	–	–	244 122	1 900	246 022	6 725	252 747
Share-based payment expense	–	22 203	–	–	–	22 203	–	22 203
Dividend paid (note 34)	–	–	–	–	–	–	(4 053)	(4 053)
Equity adjustments								
– Consolidation of Medscheme International	–	–	–	(1 218)	–	(1 218)	–	(1 218)
– Disposal of 49% of Bonitas Marketing Company	–	–	–	(152)	–	(152)	3 093	2 941
– Acquisition of remaining 49% of IE Business	–	–	–	(6 643)	–	(6 643)	443	(6 200)
Balance as at 30 June 2013	**5 599**	**31 203**	**380 882**	**594 140**	**1 254**	**1 013 078**	**17 098**	**1 030 176**
Total comprehensive income for the year	–	–	–	186 255	83	186 338	6 283	192 621
Share-based payment expense	–	9 950	–	–	–	9 950	–	9 950
Dividend paid (note 33)	–	–	–	(126 865)	–	(126 865)	(6 838)	(133 703)
Equity adjustments:								
– Share-based payment reversal upon issue of shares	–	(31 203)	–	–	–	(31 203)	–	(31 203)
Balance as at 30 June 2014	**5 599**	**9 950**	**380 882**	**653 530**	**1 337**	**1 051 298**	**16 543**	**1 067 841**
Total comprehensive income for the year	–	–	–	118 744	1 013	119 757	3 328	123 085
Dividend paid	–	–	–	(96 102)	–	(96 102)	(4 393)	(100 495)
Balance as at 31 December 2014	**5 599**	**9 950**	**380 882**	**676 172**	**2 350**	**1 074 953**	**15 478**	**1 090 431**

STATEMENT OF CASH FLOWS

	Notes	Group December 2014 R'000	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Cash flows from operating activities					
Cash receipts from customers		1 135 426	2 171 287	2 004 432	1 651 066
Cash paid to suppliers and employees		(1 005 130)	(1 859 567)	(1 655 681)	(1 388 512)
Cash generated from operations	31	130 296	311 720	348 751	262 554
Finance income	28	16 058	34 039	22 541	13 690
Finance costs	28	(710)	(754)	(602)	(709)
Dividend paid	30	(96 102)	(126 865)	–	(43 112)
Dividend paid to minorities	30	(4 393)	(6 838)	(4 053)	(2 321)
Dividends received	27	164	2	23	6
Taxation paid	32	(47 032)	(84 615)	(83 597)	(56 142)
Lease termination costs		–	–	–	(53 000)
Net cash inflow/(outflow) from operating activities		**(1 719)**	**126 689**	**283 063**	**120 966**
Cash flows from investing activities					
Purchase of plant and equipment	5	(17 553)	(49 956)	(41 046)	(37 496)
Purchase of intangible assets	7	(38 421)	(60 500)	(39 754)	(20 852)
Proceeds on disposal of assets		158	444	88 129	5 337
Long-term loan issued/repaid	11	–	76 378	(76 378)	–
Purchase of business acquisitions in the prior year	4	–	–	(52 747)	–
Net effect of Medscheme International Limited consolidation		–	–	(1 218)	–
Purchase of DBC assets in Klinikka	4	–	(7 980)	–	–
Purchase of AAR Investment		(17 728)	–	–	–
Purchase of Invisible Card Company	9	–	(6 346)	–	–
Purchase of Kenya Investment	9	–	(18 211)	–	–
Purchase of Allegra (Pty) Ltd		–	–	–	(3 968)
Payments to subsidiaries and group entities		–	–	–	–
Dividends received from associates	9	–	1 360	1 159	4 815
Decrease in receivables from associates		18 615	–	–	3 448
Net cash (outflow)/inflow from investing activities		**(54 929)**	**(64 811)**	**(121 855)**	**(48 716)**
Cash flows from financing activities					
Loan to holding company		(16 406)	3 471	(64 098)	(10 438)
Decrease in receivables from associates	14	–	(4 432)	14 591	–
Increase in borrowings		–	–	–	–
Net cash (outflow)/inflow from financing activities		**(16 406)**	**(961)**	**(49 507)**	**(10 438)**
Net cash inflow/(outflow)		**(73 054)**	**60 917**	**111 701**	**61 812**
Effect of foreign exchange rate changes		–	83	1 900	–
Net increase/(decrease) in cash and cash equivalents		**(73 054)**	**61 000**	**113 601**	**61 812**
Cash and cash equivalents at the beginning of the period	16	**356 739**	**295 739**	**182 138**	**120 326**
Cash and cash equivalents at the end of the period	16	**283 685**	**356 739**	**295 739**	**182 138**
Disclosed as follows:					
Cash, cash equivalents and deposits	16	**283 685**	**356 739**	**295 739**	**182 138**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

General information

AfroCentric Health 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.

These consolidated annual financial statements have been approved for issue by the board of director on 1 September 2014.

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 Financial Reporting Interpretations Committee ("IFRIC") of the IASB. These annual financial statements have been prepared in accordance with IFRS, the Companies Act and the JSE Listing Requirements.

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; and
- 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. This includes Investment in holding company; and
- Investment property is held at fair value using independent market valuations.

Recognition of assets

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

Tangible assets

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 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.

Investment in holding company

The investment in holding company comprises of listed shares held in AfroCentric Investment Corporation Limited.

The investment is designated as held for trading.

Initial recognition

The Investment is initially recognised at fair value.

Subsequent measurement

Any gains or losses resulting from fair value adjustments of the investment, representing the increase or decrease in the Johannesburg Stock Exchange listed market price, are recognised in profit or loss under 'fair value gains/(loss).

Intangible assets

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

Goodwill

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

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

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

Contractual customer relationships

Acquired contractual customer relationships from business combinations are recognised at fair value at acquisition date. Contractual customer relationships intangible assets are amortised using the straight line method over their useful lives of five 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, brands and intellectual property

Trademarks, brands and intellectual property 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, brands and intellectual property 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.

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

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

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.

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.

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.

Inventory

Inventory is stated at the lower of cost or net realisable value. The cost of inventories shall compromise of the cost of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

As inventories held by the Group represents highly specialised medical equipment at high value, the policy adopted by the group is the specific identification of cost method.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Cash, cash equivalents and deposits

Cash, cash equivalents and deposits 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.

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.

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

Investments in subsidiaries

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. When the outcome of the transaction involving the rendering of services cannot be estimated reliably then the revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

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

Administration fees

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

Finance income

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

Dividend income

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

Other expenditure

All other expenditure is recognised as and when incurred.

Current and deferred income tax

The current income tax charge is calculated on the tax laws enacted or substantively enacted at the Statement of financial position date in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situation in which applicable tax regulations is 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

South African resident companies are exempt from the 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.

Dividends

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

Share capital

Ordinary shares

Ordinary shares are classified as equity.

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

When the group reacquires its own equity instruments, those instruments ('treasury shares') shall be deducted from equity. In the event that the shares are cancelled upon reacquisition, share capital and share premium are respectively reduced 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. Vesting assumptions are reviewed at each reporting period to ensure that they reflect current expectations.

The share-based payment expense is accounted for individually in each impacted subsidiary where the Executives are employed. The Group IFRS 2 share-based payment expense is recharged to the aforementioned subsidiaries due to the fact that the AHL executives are employed by those respective subsidiaries and accordingly they should bear the related costs.

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.

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Acquisition of Allegra (Proprietary) Limited

As part of the purchase price allocation of the 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.

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.

Impairment 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; and
- Goodwill.

However during the course of the year the sole income generating contract with the primary client was prematurely terminated resulting in no foreseeable future income.

This has resulted in the full impairment of the contractual customer relationship intangible asset (R17.52 million) and goodwill (R23.1 million).

The incorporation of Klinikka (Proprietary) Limited and the related business combination of DBC SA (Proprietary) Limited

During the year AHL incorporated Klinikka (Proprietary) Limited ("Klinikka") to start a new business operation of selling specialised medical equipment. The formation of Klinikka resulted in the business acquisition of assets of DBC SA (Proprietary) Limited ("DBC SA").

As part of the purchase price allocation of the transaction in November 2013, the Group recognised goodwill and a master license agreement giving AHL the sole right to sell the specialised equipment in South Africa and other parts of the world.

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.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

Impairment of goodwill

The recoverable amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the cash-generating units (CGU) has been determined based on value-in-use calculation, being the net present value of the discounted cash flows of the CGU less the tangible net asset value of that CGU. Details of the main assumptions applied in determining the net present value of the CGU are provided in note 7 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 2014 was R115.1 million (June 2013: R105.3 million) and R453.7 million (June 2013: R475.9 million) respectively.

3. FINANCIAL RISK MANAGEMENT

General

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

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

Primary responsibility for risk management at an operational level rests with the executive committee. Management and various specialist committees are tasked with integrating the management of risk into the day-to-day activities of the Group. Refer to the Corporate Governance statement for more detail regarding the 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; and
- litigation and legal risk.

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

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

Market risk

Currency risk

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

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

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

Cash flows from other foreign investments (Botswana, Mauritius, International, Kenya and Zimbabwe) bear currency risk. The most significant exposure is to the Euro, the Mauritian Rupee, the Botswana Pula, the Kenyan Shilling and the Zimbabwean Dollar. The values of these investments are detailed in notes 9 and 11 of the annual financial statements. The impact of currency risk on profit and loss amounted to a profit of R0.083 million (June 2013: R0.383 million loss).

Price risk

The Group is exposed to equity securities price risk due to its investment in its holding company, AfroCentric Investment Corporation 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.

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 R'000
June 2014	
Bank balances and short-term investments	2 815
Total	**2 815**
June 2013	
Long-term loan (4 months from 1 Mar 2013)	254
Bank balances and short-term investments	2 031
Total	**2 285**
June 2012	
Bank balances and short-term investments	1 465
Total	**1 465**

Under these assumptions, a 1% increase in market interest rates in which the Group had borrowings at 30 June 2014 would increase profit before tax by approximately R2.815 million (June 2013: R2.285 million and June 2012: R1.465 million).

Credit risk

Credit risk arises from cash and cash equivalents and other investments, that is, deposits with banks and financial institutions, as well as credit exposures to clients, including outstanding receivables and committed transactions. For banks and financial institutions only independently rated parties with a minimum rating of 'A' are accepted. If clients do not have an independent rating, risk control assesses the credit quality of the client, taking into account its financial position, past experience and other factors. Credit risk is managed at both the group and company level.

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

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities to meet debt repayment and operating requirements.

Management monitors the cash position on a daily basis. Due to the dynamic nature of the underlying businesses, management maintains flexibility in funding by keeping committed credit facilities available.

Management monitors rolling forecasts of the "Healthcare business" liquidity reserve on the basis of expected cash flow.

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

Time buckets applicable to the Group

Group	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 years R'000	Total R'000
June 2014					
Trade payables and other payables	99 113	1 745	1 745	1 745	104 348
June 2013					
Trade payables and other payables	86 415	2 582	2 582	2 582	94 161
June 2012					
Trade payables and other payables	69 814	2 301	2 301	2 301	76 717

Time buckets applicable to the Group

Group	Less than 3 months R'000	More than 3 month but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months R'000	Total R'000
June 2014					
Trade and other receivables	174 825	2 568	2 568	5 568	185 519
June 2013					
Long-term loan (current portion)	2 378	–	–	–	2 378
Trade and other receivables	116 548	2 070	2 070	4 553*	125 241
June 2012					
Trade and other receivables	97 081	2 859	2 859	4 442*	107 241

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

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

Description per the Statement of financial position	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Carrying value			
Loans and receivables			
Long-term loan	–	76 378	–
Trade and other receivables	185 519	125 241	107 241
Cash and cash equivalents	356 739	295 739	182 138
Financial liabilities measured at amortised cost			
Borrowings	–	–	–
Trade and other payables	104 348	94 161	76 717

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.

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.

The following table presents the groups assets and liabilities that are measured at fair value at 30 June 2014:

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Investment property (note 6)	15 000	15 000	10 300
Investment in Holding Company	5 041	2 324	1 772
	20 041	**17 324**	**12 072**

The investment in Holding Company is disclosed as a level 1(based on quoted prices in active markets) and investment property disclosed above has been classified as a Level 3 (the inputs are not based on observable market data) financial instrument.

Fair Value measurements using significant unobservable inputs (Level 3)

	Investment Property
Opening Balance	15 000
Transfers to/(from) level 3	–
Additions	–
Disposals	–
Gains and losses recognised in profit and loss	–
Closing balance	**5 132**

The following table shows the changes in fair value of a 10% increase or 10% decrease in the volatility.

	Impact of change in volatility	
	Increase + 10%	**Decrease -10%**
Investment property (note 6)	1 500	(1 500)
Investment in Holding Company	504	(504)
	2 004	**(2 004)**

Investment Property

The fair value of the investment property is derived by an external property valuer using current prices in an active market for similar property in the same location and condition. In applying this approach the valuer has selected other properties that have similar risk, growth and cash-generating profiles. Management review the valuation performed by the external valuer and are satisfied that the inputs, discount rates and cash flow forecasts as used by the external property valuer are reasonable.

This investment is considered to be fully recoverable at the fair value of R15 million.

Capital risk management

The Company's objective when managing capital is to safeguard the Company's 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 Company 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 Company 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 2014, 30 June 2013 and 30 June 2012 respectively are as follows:

	Group June 2014 R'000	**Group June 2013 R'000**	**Group June 2012 R'000**
Total long-term borrowings	–	–	–
Total equity	1 067 840	1 030 176	763 756
Total capital employed	1 067 840	1 030 176	763 756
Gearing ratio	**–**	**–**	**–**
Adjusted to include short-term borrowings:			
Total borrowings (note 26)	–	–	–
Total equity	1 067 840	1 030 176	763 756
Total capital employed	1 067 840	1 030 176	763 756
Gearing ratio (including short-term borrowings)	**–**	**–**	**–**

4. BUSINESS COMBINATIONS

Purchase of DBC SA (Pty) Ltd assets in Klinikka (Pty) Ltd

Klinikka (Pty) Limited was incorporated during the current financial year. The Incorporation of Klinikka (Pty) Limited lead to the acquisition of 100% of the assets and assumed liabilities of DBC SA (Pty) Limited in November 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 acquisition of DBC SA (Proprietary) Limited is being accounted for using the purchase price method of accounting, which requires that the assets and liabilities of DBC SA (Proprietary) Limited be measured at fair value at 1 November 2013.

	1 November 2013 R'000
Fair value of 100% net asset value at acquisition	5 545
Furniture and Fittings	935
Inventory	4 610
Cash outflow for the purchase of 100% of net asset value	7 980
Goodwill arising from acquisition	**2 435**
Cash outflow for the purchase of 100% net asset value	(7 980)
Cash resources acquired on acquisition	–
Net cash outflow	**(7 980)**

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 acquirer'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 employee's 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%

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

Purchase of 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 employee's 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%

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
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 100% shareholding at acquisition	15 165
Cash outflow for the purchase of 100% shareholding	16 000
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 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 employee's 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
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
Trade 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 100% shareholding at acquisition	13 138
Cash outflow for the purchase of 100% shareholding	40 000
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)**

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.

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:

	30 June 2013 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)
Fair value of 100% shareholding at acquisition	(3 963)
Cash outflow for the purchase of 100% shareholding	12 677
Goodwill arising from acquisition (allocated to retained earnings)*	**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)**

* *The goodwill arising from this acquisition has been debited against retained earnings in the Afro Centric Health Limited Group as the group had control of IE Business Insight Strategic Consulting (Pty) Ltd both prior and subsequent to the acquisition/transfer.*

5. PLANT AND EQUIPMENT

Group	Motor vehicles R'000	Building infrastructure R'000	Computer equipment R'000	Furniture and fittings R'000	Office equipment R'000	Total R'000
Year ended 30 June 2014						
Opening carrying amount	1 819	267	47 025	28 738	12 500	90 349
Additions	370	27	37 763	9 234	3 497	50 891
Disposals	(113)	–	(307)	(182)	-	(603)
Depreciation charge	(659)	(103)	(27 848)	(7 854)	(4 011)	(40 475)
Reclassification	125	–	(163)	2 049	(2 030)	(19)
Closing carrying amount	**1 542**	**191**	**56 470**	**31 985**	**9 955**	**100 143**
At 30 June 2014						
Cost	4 173	529	116 860	86 976	31 957	240 494
Accumulated depreciation	(2 631)	(338)	(60 390)	(54 991)	(22 002)	(140 352)
Closing carrying amount	**1 542**	**191**	**56 470**	**31 985**	**9 955**	**100 143**
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	**1 819**	**267**	**47 025**	**28 738**	**12 500**	**90 349**
At 30 June 2013						
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)
Closing carrying amount	**1 819**	**267**	**47 025**	**28 738**	**12 500**	**90 349**

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

The useful lives of building infrastructure assets 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.

6. INVESTMENT PROPERTY

	June 2014 R'000	June 2013 R'000	June 2012 R'000
Opening fair value	15 000	10 300	10 100
Fair value gain	–	4 700	200
Closing fair value	**15 000**	**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 2014 the land was valued at an amount of R15 000 000 hence no fair value gain had arisen. The valuation was performed 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.

An independent valuation of the group's investment property was performed by valuers to determine the fair value of the land and buildings as at 30 June 2014 and 2013.

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The investment property has been measured using significant unobservable inputs (level 3).

Valuation processes of the group

Information about fair value measurements using significant unobservable inputs (Level 3).

Description	Fair value at 30 June 2014	Valuation Techniques	Unobservable inputs	Relationship of unobservable inputs to fair value
Investment Property	15 000 000	Current prices in an active market for similar property in the same location and condition	Price per square meter	The higher the price per square meter the higher the fair value

7. INTANGIBLE ASSETS

Group	Goodwill R'000	Intellectual property R'000	Computer software R'000	Internally generated computer software R'000	Customer relationships R'000	Brands R'000	Total R'000
Opening carrying amount at 01 July 2013	294 169	3 242	31 283	81 862	53 956	11 400	475 912
Additions	2 435	9 634	16 142	34 721	–	–	62 932
Disposals	–	–	(77)	–	–	–	(77)
Amortisation charge for the year	–	(841)	(11 152)	(12 582)	(12 436)	(3 600)	(40 611)
Impairment (note 2 and 4)	(23 100)	–	–	–	(17 520)	–	(40 620)
Reclassification	–	–	2 317	(2 298)	–	–	19
Adjustment to Goodwill	(3 762)	–	–	–	–	–	(3 762)*
Carrying value at 30 June 2014	**269 742**	**12 035**	**38 513**	**101 703**	**24 000**	**7 800**	**453 793**
Opening carrying amount at 01 July 2012	266 472	4 083	26 889	57 830	38 269	15 000	408 543
Additions	27 697	–	9 481	30 273	27 562	–	95 013
Amortisation charge for the year	–	(841)	(5 087)	(6 241)	(11 875)	(3 600)	(27 644)
Carrying value at 30 June 2013	**294 169**	**3 242**	**31 283**	**81 862**	**52 956**	**11 400**	**475 912**
Carrying value at 30 June 2014 comprises:							
Cost	298 641	14 548	66 328	130 710	151 033	36 000	695 967
Accumulated impairment	(25 137)	–	–	–	(12 582)	–	(37 719)
Accumulated amortisation	–	(2 513)	(27 815)	(29 007)	(114 451)	(28 200)	(200 691)
Adjustment to goodwill	(3 762)	–	–	–	–	–	(3 762)*
Carrying value at 30 June 2014	**269 742**	**12 035**	**38 513**	**101 703**	**24 000**	**7 800**	**453 793**

** The adjustment to goodwill relates the change in estimates on the initial purchase acquisition of Sapling Trade and Invest (Pty) Ltd.*

7. INTANGIBLE ASSETS (continued)

Group	Goodwill R'000	Intellectual property R'000	Computer software R'000	Internally generated computer software R'000	Customer relationships R'000	Brands R'000	Total R'000
Opening carrying amount at 1 July 2012	266 472	4 083	26 889	57 830	38 269	15 000	408 543
Additions	27 697	–	9 481	30 273	27 562	–	95 013
Amortisation charge for the year	–	(841)	(11 229)	(6 241)	(11 875)	(3 600)	(33 786)
Reclassification	–	–	6 142	–	–	–	6 142
Carrying value at 30 June 2013	**294 169**	**3 242**	**31 283**	**81 862**	**53 956**	**11 400**	**475 912**
Opening carrying amount at 1 July 2011	265 204	1 309	37 106	40 970	46 577	18 600	409 766
Additions	1 268	3 499	2 346	20 961	1 727	–	29 801
Amortisation charge for the year	–	(725)	(12 563)	(4 101)	(10 035)	(3 600)	(31 024)
Carrying value at 30 June 2012	**266 472**	**4 083**	**26 889**	**57 830**	**38 269**	**15 000**	**408 543**
Carrying value at 30 June 2013 comprises:							
Cost	296 206	4 914	47 946	96 992	163 871	36 000	645 929
Accumulated impairment	(2 037)	–	–	–	(7 900)	–	(9 937)
Accumulated amortisation	–	(1 672)	(16 663)	(15 130)	(102 015)	(24 600)	(160 080)
Carrying value at 30 June 2013	**294 169**	**3 242**	**31 283**	**81 862**	**53 956**	**11 400**	**475 912**

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Goodwill	269 742	294 169	266 472
Computer software	38 513	31 283	26 889
Development costs	101 703	81 862	57 830
Intellectual Property	12 035	3 242	4 083
Customer relationships	24 000	53 956	38 269
Brand	7 800	11 400	15 000
	453 793	**475 912**	**408 543**

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

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Medscheme – healthcare administration	36 024	36 024	36 024
Medscheme – health risk management	190 155	190 155	190 155
Aid for Aids Management (Pty) Ltd – healthcare administration	23 490	23 490	23 490
Medscheme Mauritius Limited – local administration	4 969	4 969	4 969
Medscheme Mauritius Limited – International administration	10 566	10 566	10 566
Allegra (Pty) Ltd – healthcare IT support	1 268	1 268	1 268
Sapling Trade and Invest – healthcare IT support	–	26 862	–
Bonitas Marketing – healthcare marketing support	835	835	–
Klinikka (Pty) Ltd – Medical equipment supplier	2 435	–	–
	269 742	**294 169**	**266 472**

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.

8. FINANCIAL INSTRUMENTS

8.1. Trade receivables

Trade receivables that are less than three months past due are not considered impaired. As of 30 June 2014, trade receivables of R15.456 million (June 2013: R9.2 million and June 2012: R1.4 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Movements in the provision for impairment of trade receivables are as follows:

	June 2014 R'000	June 2013 R'000	June 2012 R'000
At beginning of the period	373	5 022	7 969
Reversal of provision for doubtful debts	–	(4 131)	(2 908)
Other adjustments (including the effect of foreign exchange rates)	45	(518)	(39)
	418	**373**	**5 022**

Disclosure of trade debtors:

	June 2014 R'000	June 2013 R'000	June 2012 R'000
Gross trade debtors	113 019	92 701	80 546
Provision for impairment of trade receivables as above	(418)	(373)	(5 022)
Net trade debtors (note 15)	**112 601**	**92 328**	**75 524**

Ageing of trade and other receivables (R'000):

Group	Current	30 days	60 days	90+ days	Total
June 2014					
Gross trade debtors	97 563	5 878	4 471	5 107	113 019
Sublease and other	4 014	8 000	75	6 900	18 989
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.

There are no accounts receivable balances considered to be past due and impaired.

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

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

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

8.2. Receivables from associates

Management has assessed the likelihood of non-recovery of outstanding amounts due from its associates and determined that no impairment is necessary due to the fact that the associates are either profitable at year end or profits are expected are expected in the near future.

8.3. Cash and cash equivalents

	June 2014 R'000	June 2013 R'000	June 2012 R'000
Cash at bank and short-term bank deposits			
AAA	291 821	225 780	105 135
AA	64 918	69 959	77 003
Total cash at bank and short-term bank deposits (note 19)	**356 739**	**295 739**	**182 138**

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.

9. INVESTMENTS IN ASSOCIATES

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Carrying value	**31 250**	**6 517**	**26 819**

All associates operate in the healthcare industry. The total aggregate assets, liabilities and results of operations of associates are summarised as follows:

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Non-current assets (excluding intangible assets)	23 777	13 196	46 402
Intangible assets	964	–	7 834
Current assets	53 618	12 963	101 813
Total assets	**78 359**	**26 159**	**156 049**
Non-current liabilities	26 818	–	–
Current liabilities	23 836	5 330	77 735
Total liabilities	**50 654**	**5 330**	**77 735**
Net profit attributable to ordinary shareholders	**(311)**	**31 596**	**30 555**

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Balance at the beginning of the period	**6 517**	**26 819**	**21 624**
Share of after taxation profit	1 536	8 553	8 854
Disposal of Agility Broker Services (Pty) Ltd	–	(4 719)	–
Disposal of Tradebridge (Pty) Ltd	–	(22 977)	–
Purchase of Invisible Card Company*	6 346	–	(1 319)
Purchase of AfroCentric Health Solutions Limited (Kenya Investment)**	18 211	–	2 475
Dividends received	(1 360)	(1 159)	(4 815)
Balance at the end of the period	**31 250**	**6 517**	**26 819**

* *The investment in the Invisible card company was acquired during the year. The initial shareholding was 30% and was subsequently increased to 40% during the year.*

** *This investment was acquired during the year. The investment represents a 26% shareholding.*

10. INVESTMENTS IN HOLDING COMPANY

	June 2014 R'000	June 2013 R'000	June 2012 R'000
Investment held in AfroCentric Investment Corporation Limited			
580 874 shares @ 400 cents each (2013: 305 cents each)	2 324	1 772	1 162
Fair value gain	2 717	552	610
1 072 451 shares @ 470 cents each	**5 041**	**2 324**	**1 772**

The investment in holding company at 30 June 2014 is carried at fair value which equates to the Johannesburg Stock Exchange listed market price of the shares on that date.

During the year additional shares were declared by the holding company increasing the number of shares held by the AHL group to 1 072 451 treasury shares.

11. INTEREST BEARING LOAN

	June 2014 R'000	June 2013 R'000	June 2012 R'000
Loan balance arising from the sale of Trade Bridge (Pty) Ltd	76 378	74 000	–
Interest raised	6 418	2 378	–
Payment received	(82 796)	–	–
Closing balance	**–**	**76 378**	**–**
Non-current portion	–	74 000	–
Current portion	–	2 378	–
	–	**76 378**	**–**

The long-term loan was issued to Tradebridge (Proprietary) Limited as part of an 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 affected by means of a loan payable to Medscheme. This loan was subsequently settled in May 2014 by Tradebridge (Proprietary) Limited.

12. DEFERRED INCOME TAX

Group	Capital allowances R'000	Provisions R'000	Prepayments R'000	Assessed loss R'000	Business Combinations R'000	Total R'000
Deferred income tax assets						
Balance as at 1 July 2011	**–**	**40 552**	**–**	**27 593**	**–**	**68 145**
(Charge)/credit to profit for the year	–	(13 909)	–	24 443	–	10 534
Balance as at 1 July 2012	**–**	**26 643**	**–**	**52 036**	**–**	**78 679**
(Charge)/credit to profit for the year	–	5 445	–	(10 774)	–	(5 329)
Balance as at 30 June 2013	**–**	**32 088**	**–**	**41 262**	**–**	**73 350**
(Charge)/credit to profit for the year	–	(3 532)	–	4 713	–	3 981
Balance as at 30 June 2014	**–**	**28 556**	**–**	**45 975**	**–**	**74 531**
Deferred income tax liabilities						
Balance as at 1 July 2011	**(7 074)**	**–**	**(665)**	**–**	**(18 617)**	**(26 356)**
(Charge)/credit to profit for the year	(15 191)	–	(403)	–	3 778	(11 816)
Balance as at 1 July 2012	**(22 265)**	**–**	**(1 068)**	**–**	**(14 839)**	**(38 172)**
(Charge)/credit to profit for the year	(1 956)	–	477	–	(3 783)	(5 262)
Balance as at 30 June 2013	**(24 221)**	**–**	**(591)**	**–**	**(18 622)**	**(43 434)**
(Charge)/credit to profit for the year	(1 528)	–	(1 126)	–	9 631	6 977
Balance as at 30 June 2014	**(25 749)**	**–**	**(1 717)**	**–**	**(8 991)**	**(36 457)**

13. TRADE AND OTHER RECEIVABLES

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Trade debtors (net of provisions) (note 8)	112 601	92 328	75 524
Vat	–	–	–
Deposits	2 992	2 482	1 583
Prepayments	32 206*	8 281	11 439
Sundry debtors	18 732*	1 869	6 830
Sublease and other	18 989	20 281	11 865
	185 519	**125 241**	**107 241**

Refer to note 8 for ageing of trade and other receivables. Trade and other receivables approximate their fair values.

** The increase is attributable to the new Road Accident Fund contract administered in Medscheme Holdings (Pty) Ltd.*

14. RECEIVABLE FROM ASSOCIATE

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Receivable from associate	**4 432**	**–**	**14 591**
Loan receivable	4 432	–	14 591
Total receivables from associates	**4 432**	**–**	**14 591**

15. LOAN TO HOLDING COMPANY

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
AfroCentric Investment Corporation Limited	**75 342**	**110 016**	**45 918**

16. CASH, CASH EQUIVALENTS AND DEPOSITS

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Cash	63 961	55 875	62 573
Short-term deposits	292 778	239 864	119 565
	356 739	**295 739**	**182 138**

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

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Cash and bank balances	**356 739**	**295 739**	**182 138**

The effective interest rate applicable to cash at bank is 5.46% (Jun 2013: 4.72%).

Refer to note 8.3 for details of the credit ratings of the banks at which cash is held.

17. INVENTORY

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Inventory on hand at year end	**4 610**	**–**	**–**

The inventory on hand at year end relates to specialised equipment that will be sold in the next financial period. Hence, no costs of sales were incurred during the current financial year.

18. ISSUED SHARE CAPITAL

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Authorised:			
2 000 000 000 ordinary shares of R0.01 each	20 000	20 000	20 000
Issued:			
559 895 134 ordinary shares of R0.01 each	5 599	5 599	5 599

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

19. SHARE PREMIUM

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Opening Balance	380 882	380 882	380 882
Closing Balance	**380 882**	**380 882**	**380 882**

20. NON-CONTROLLING INTEREST

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Balance at the beginning of the period	17 098	10 890	6 341
Share of net profit of subsidiaries	6 283	6 725	3 769
Dividend distributions to minorities (note 34)	(6 838)	(4 053)	2 321
Acquisition of 49% of IE Business	–	443	–
Acquisition of Allegra (Proprietary) Limited	–	–	2 625
Consolidation of Medscheme Zimbabwe (Pvt) Ltd	–	–	476
Disposal of 49% of Bonitas Marketing Company	–	3 093	–
	16 543	**17 098**	**10 890**

21. POST-EMPLOYMENT MEDICAL OBLIGATIONS

The Company operates a post-employment medical benefit scheme. The accumulated post-employment medical aid obligation was determined by independent actuaries in June 2014 using the projected unit credit method prescribed by IAS 19. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime.

	June 2014 R'000	June 2013 R'000	June 2012 R'000
Balance at the end of the year	3 202	3 551	3 504
The amounts recognised in the Statement of comprehensive income are as follows:			
Current service cost	–	–	–
Interest cost	224	267	309
Expected benefit payments	(485)	(490)	(541)
Net actuarial loss/(gain) recognised in the current year	(88)	270	(85)
Net movement for the year	**(349)**	**47**	**(317)**

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

	June 2014 R'000	June 2013 R'000	June 2012 R'000
Present value of funded obligations	3 551	3 504	3 821
Interest cost	224	267	309
Expected employer benefit payments	(485)	(490)	(541)
Actuarial loss/(gain)	(88)	270	(85)
Accrued liability in excess of plan assets	**3 202**	**3 551**	**3 504**

The principal actuarial assumptions used were as follows:

	June 2014	June 2013	June 2012
Discount rate	8.10% p.a.	6.80% p.a.	8.25% p.a.
Health care cost inflation	8.20% p.a.	8.20% p.a.	7.75% p.a.
Post-retirement mortality	PA(90) ultimate table*	PA(90) ultimate table*	PA(90) ultimate table*

** Rated down 2 years with a 1% improvement p.a. from a base year of 2006.*

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

The liability was recalculated to show the effect of:• A one percentage point decrease or increase in the rate of health care cost inflation;

- A five or ten percentage point increase in the rate of health care cost inflation for the next five years, thereafter returning to a health care cost inflation of 8.20% p.a; and
- A one percentage point decrease or increase in the discount rate.

22. 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 1 July 2012	**18 302**
Credited to the Statement of comprehensive income:	
– movements in provision	(5 264)
Balance as at 30 June 2013	**13 038**
Credited to the Statement of comprehensive income:	
– movements in provision	(7 131)
Balance as at 30 June 2014	**5 907**

	June 2014 R'000	**June 2013 R'000**	**June 2012 R'000**
Non-current portion	3 431	5 383	12 519
Current portion (note 27)	2 476	7 655	5 783
	5 907	**13 038**	**18 302**

23. PROVISIONS

	Audit fees R'000	**Onerous contracts R'000**	**Total R'000**
Group			
Balance as at 1 July 2011	**3 201**	**34 646**	**37 847**
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	3 888	–	3 888
– reversal of provisions	–	(34 050)*	(34 050)
– prior period under provision	62	–	62
– Utilised during the year	(4 468)	–	(4 468)
Balance as at 1 July 2012	**2 683**	**596**	**3 279**
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	4 101	–	4 101
– reversal of provisions	–	(596)	(596)
– prior period under provision	(415)	–	(415)
– Utilised during the year	(3 352)	–	(3 352)
Balance as at 30 June 2013	**3 017**	**–**	**3 017**
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	4 367	–	4 367
– reversal of provisions	–	–	–
– prior period over provision	45	–	45
– Utilised during the year	(4 062)	–	(4 062)
Balance as at 30 June 2014	**3 367**	**–**	**3 367**

Analysis of provisions:

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Group			
Non-current portion	–	–	–
Current portion	3 367	3 017	3 279
	3 367	**3 017**	**3 279**

24. TRADE AND OTHER PAYABLES

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Trade payables	44 997	16 361	12 271
Short term portion of straight-lining of lease accrual	2 476	7 655	5 783
Accruals	14 931	22 353	20 431
Payroll creditors	18 436	19 702	20 059
Value Added Tax	12 205	14 195	10 365
Shareholders for dividends	4 091	2 413	3 279
Inseta funding	413	261	142
Sundry creditors	6 799	11 221	4 387
	104 348	**94 161**	**76 717**

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

25. EMPLOYMENT BENEFIT LIABILITY

	Bonuses R'000	Leave pay R'000	Total R'000
Group			
Balance as at 1 July 2011	**49 933**	**28 278**	**78 211**
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	52 289	38 702	90 991
– amounts reversed	(12 473)	–	(12 473)
Utilised during the year	(42 424)	(34 489)	(76 913)
Balance as at 1 July 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)
Utilised during the year	(45 285)	(38 321)	(83 606)
Balance as at 30 June 2013	**60 701**	**35 657**	**96 358**
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	76 732	92 520	169 252
– amounts reversed	(10 013)	–	(10 013)
Utilised during the year	(75 671)	(89 807)	(165 478)
Balance as at 30 June 2014	**51 749**	**38 370**	**90 119**

The provision for management incentive bonuses is payable at the end of September 2014, whilst the remaining provision for staff is payable at the end of December 2014 to staff as part of a salary restructuring arrangement based on their cost to company. The provisions are primarily in respect of leave which will be settled through leave taken in the next financial year.

Analysis of employee benefit liabilities:

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Current portion	**90 119**	**96 358**	**79 816**

26. REVENUE

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Administration fees	1 105 576	1 035 148	866 410
Health risk management fees	664 606	605 072	542 249
Management fees	11 850	12 962	1 009
IT revenue and other	172 673	118 188	39 361
Total revenue	**1 954 705**	**1 771 370**	**1 449 029**

27. PROFIT BEFORE TAXATION

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

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Auditors' remuneration (included in 'other expenses')	**4 412**	**3 686**	**3 950**
Audit fees	4 367	4 101	3 888
Prior period (over)/under provision	45	(415)	62
Amortisation of development costs and other intangibles	**40 611**	**33 786**	**31 024**
Depreciation of plant and equipment	**40 475**	**37 251**	**38 128**
Motor vehicles	659	508	303
Building Infrastructure	103	86	209
Computer equipment	27 848	25 195	27 482
Furniture and fittings	7 854	7 106	6 735
Office equipment	4 011	4 356	3 399
Bad debt write-off	**189**	**4 540**	**416**
Operating Lease rentals (included in 'rentals and property costs')	**119 260**	**110 934**	**107 638**
Buildings	117 566	108 067	104 453
Computer equipment	–	–	217
Motor vehicles	594	809	437
Office equipment and furniture	1 100	2 058	2 531
Repairs and maintenance (included in 'rentals and property costs')	**3 876**	**4 589**	**4 528**
Reversal of IFRS 3 contingency*	**–**	**–**	**(1 475)**

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Directors' emoluments (included in 'employee benefit costs')			
Executive	14 163	34 384	15 553
D Dempers	**5 867**	**23 250**	**4 500**
– Basic salary	4 459	4 463	4 469
– Bonus	–	9 000	–
– Company contributions	41	37	31
– Share based payment	1 367	9 750	–
A Meyer (resigned 10 February 2014)	**3 715**	**7 119**	**7 029**
– Basic salary	1 723	2 702	2 366
– Bonus	1 811	1 528	1 611
– Company contributions	181	291	260
– Other allowances	–	–	106
– Share based payment	–	2 598	2 686
W Holmes	**4 581**	**4 015**	**4 024**
– Basic salary	2 161	2 021	1 892
– Bonus	852	717	712
– Company contributions	251	237	217
– Other allowances	–	–	9
– Share based payment	1 317	1 040	1 194
Non-executive			
For services as directors (Basic salary)	**3 489**	**2 813**	**2 356**
A T M Mokgokong	797	567	660
MJ Madungandaba	693	499	526
S M Rothbart	421	385	464
M Mashigo	517	519	483
N Qangule	507	406	–
R Mukhesi	554	437	–
MA Ilsley	–	–	223

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Employee benefit costs	**1 112 616**	**972 474**	**780 844**
Salaries and wages	971 913	845 095	689 844
Termination benefits	5 537	2 299	4 389
Incentive bonus	65 033	62 970	41 317
Staff welfare	25 396	21 669	14 891
Movement in post employment medical obligation	(349)	47	(317)
Pension costs – defined contribution plans	45 086	40 394	30 720

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Average number of persons employed by the Group during the period:			
South Africa	**3 214**	**2 625**	**2 425**
Full time	2 901	2 557	2 365
Part time	313	68	60
Outside of South Africa	**310**	**298**	**186**
Full time	308	278	182
Part time	2	20	4

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Dividends received			
Other	2	23	6
Profit/(Loss) on disposal of plant and equipment	**(235)**	**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	**2 717**	**5 252**	**810**
Fair value gain on investment property	–	4 700	200
Fair value gain on investment in holding company	2 717	552	610
Impairment provisions against loans and investments	**–**	**(4)**	**(1 175)**
Impairment 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	2 335	2 767	2 696
Legal and consulting fees	83 797	74 706	66 544
Marketing and recruitment	22 918	9 949	8 179
Straight-lining of leases	(7 130)	(5 264)	(13 222)
Management Costs	116 776	118 779	(101 146)

28. NET FINANCE COSTS

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Finance costs			
Other	(754)	(602)	(709)
Finance income	34 039	22 541	13 690
Bank	15 372	9 586	7 913
Holding company loan	9 692	6 284	2 995
Other	8 975	6 671	2 782
	33 294	**21 939**	**12 981**

29. INCOME TAX EXPENSE

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Current taxation			
Current period charge	86 329	83 039	46 482
Prior period (credit)/charge	217	50	1 604
Deferred taxation			
Current period (credit)/charge	972	3 279	(151)
Prior period credit	(8 173)	–	(700)
Secondary tax on companies	–	–	329
	79 345	**86 368**	**47 564**

Reconciliation of the tax rate

	Group June 2014 %	Group June 2013 %	Group June 2012 %
South African normal tax rate	28.0	28.0	28.0
Adjust for:			
Exempt income	(1.66)	(6.1)	(7.1)
Exempt expenses	1.64	3.6	2.5
Withholdings tax	1.55	–	–
Assessed losses	6.97	(0.5)	(0.1)
Prior year adjustments – normal tax	(0.48)	0.6	(1.1)
Prior year adjustments – deferred tax	(5.71)	–	(0.3)
Deferred Tax adjustment –not useable in the future	(1.13)	–	
Effective rate of tax	**29.18%**	**25.6%**	**21.9%**

30. DIVIDENDS

Dividends were declared by AfroCentric Health Limited during the 2014 year.

AfroCentric Health Limited obtained director's approval and declared a dividend on the 26th of September 2013 whereby a dividend of 22.66 cents per ordinary share was declared. The Rand value of R126 million was paid on the 17 February 2014.

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Dividend declared by AfroCentric Health Limited on	126 865	–	43 112
Dividend declared and paid by Medscheme (Namibia) (Proprietary) Limited to non-controlling interests	6 838	2 580	2 321
Dividend declared and paid by Allegra (Proprietary) Limited to non-controlling interests	–	1 473	–
Total dividends paid	**133 703**	**4 053**	**45 433**
Dividend per share (Rand)	**0.23**	**–**	**0.08**

31. CASH GENERATED FROM OPERATIONS

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Profit/(loss) before tax			
Adjusted for non cash flow items:	271 883	337 215	217 086
Dividends received	(2)	(23)	(6)
Share of profit of associates	(1 536)	(8 553)	(8 854)
Fair value gains	(2 717)	(5 252)	(810)
Bad debts written off	189	4 540	416
Actuarial adjustments on post employment medical aid obligation	(349)	47	(317)
Depreciation	40 475	37 251	38 128
Amortisation of intangible assets	40 611	33 786	31 024
Decrease in provision for bad debts	–	(4 131)	(2 908)
Impairment provision on loans and investments	40 620	(4)	(1 175)
Straight-lining of lease	(7 130)	(5 264)	(13 222)
Profit on disposal of tangible assets	235	(440)	(566)
(Profit)/loss on disposal of investments	–	(51 014)	–
Share-based payment expense	9 950	22 203	9 000
Onerous lease provisions	–	(596)	18 950
Reversal of IFRS 3 contingency	–	–	(1 475)
Finance costs	754	602	709
Finance income	(34 039)	(22 541)	(13 690)
Cash flow before working capital changes	358 944	337 826	272 290
Working capital changes	**(47 224)**	**10 925**	**(9 736)**
Trade and other receivables	(60 467)	318	(17 176)
Provisions	(5 887)	16 876	1 055
Reduction of loan (Non cashflow)	3 762	–	–
Trade and other payables	15 368	(6 269)	6 385
Cash generated from operations	**311 720**	**348 751**	**262 554**

32. TAXATION PAID

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Balance at the beginning of the period	5 254	4 746	(2 869)
Charged to the statement of comprehensive income	(86 546)	(86 368)	(47 564)
Deferred tax charge	(958)	3 279	(851)
Interest charged	–	–	(112)
Balance at the end of the period	(2 365)	(5 254)	(4 746)
	(84 615)	**(83 597)**	**(56 142)**

33. SHARE-BASED PAYMENTS

The 2008 Acquisition Agreement also contemplated an award of a minimum of 20 million ACT shares to certain executives of AHL, to be awarded at the end of the warranty period 30 June 2013. During the course of that period, those executive shares already allocated, have been categorised as share-based payments in terms of IFRS 2 and the actuarially-determined "non-cash" costs were provided for in each of the company's relevant reporting periods. The Boards of ACT and AHL have approved an allocation of 27 million shares, representing 7 million more shares than that which was originally stipulated in the 2008 Acquisition Agreement.

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. Grants were made in November 2013 and additional allocations are made annually, as deemed necessary to both existing and new employees.

Shares will be held by AfroCentric Management Services (Pty) Ltd until such time that the pre-determined conditions have been achieved over the period commencing 1 November 2013 and ending 1 November 2016.

These shares awarded are additional shares allocated to the executive directors of AHL depending on the rules as set out in the share awards agreement. The share price on 1 November 2013, which is grant date, was used to determine the IFRS 2 charge for 2014. The number of shares granted multiplied by the share price of R4.10 on grant date resulted in a R9.9 million charge to the Statement of Comprehensive Income. The remaining shares will be awarded up to the period 1 November 2016.

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Executive scheme	**21 535**	**15 340**	**14 641**
Movements in number of instruments:			
Outstanding at the beginning of the year	15 340	14 641	13 201
Exercised	(15 340)	(14 641)	–
Granted	2 427	3 300	1 681
Shares with additional conditions	–	(2 601)	–
Forfeited	–	–	(241)
Outstanding at the end of the year :	**2 427**	**15 340**	**14 641**

In 2014 there are 2 426 838 outstanding options (2013: 15 340 000 options). In 2014, 15 340 000 options (2013: 0) were exercised. The options exercised in 2014 resulted in 15 340 000 shares (2013: 0 shares) being issued at a weighted average price of R4.10 each. The related weighted average share price at the time of exercise was R4.10 per share.

Share options outstanding at the end of the year have the following expiry date and exercise prices

Grant date	Vesting date	Exercise price in Rands per share option	Share Options 2014
1 November 2013	1 November 2016	4.10	6 194 615

The 15.3 million share options that were outstanding at the end of June 2013 have been fully exercised in 2013

Economic Assumptions

Number of instruments granted	**6 195**	20 000	–
Weighted average share price	**4.10**	3.90	–
Weighted average vesting period	**3**	–	–

34. CONTINGENCIES, COMMITMENTS AND GUARANTEES

34.1. Contingencies

At the date of these annual financial statements, the Group is unaware of any claims, actual or contemplated, by any of the Group's stakeholders or customers save for those detailed below.

Neil Harvey & Associates (Pty) Ltd

Neil Harvey & Associates has instituted a claim against Medscheme Holdings (Proprietary) Limited and three of its employees in 2008. The allegations concern alleged copyright infringement and a breach of the Medware license agreement. The maximum capital amount of the claim as presently pleaded is R390.4 million. An amendment sought by the Plaintiff was the cause of this. The increased sum has no impact on the merits of the claim which remain the same as before. The parties are still 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.

Bonitas Medical Fund ("BMF") / Louis Pasteur Hospital ("LPH")

BMF instituted action against the LPH, some 5 years ago, for damages suffered as a result of the cession of two Sanlam policies to LPH. In the alternative, BMF also instituted an action against Medscheme Holdings (Proprietary) Limited as the administrator. The maximum capital amount of the claim is R44m. BMF were successful in their claim against LPH, but the order has been set aside and this is to be re-argued later. BMF have indicated they will withdraw the action against Medscheme if the LPH is unsuccessful with its appeal. It has not done so as yet but for the reasons which follow this is not regarded in a sinister light. Medscheme has been advised that the merits of the claim of BMF against it in the alternative are in any event not legally sound and that the likelihood of any liability on the part of Medscheme Holdings (Proprietary) Limited is far removed under the circumstances.

34.2. Commitments

	June 2014 R'000	June 2013 R'000	June 2012 R'000
Building rentals			
Rental obligations with respect to land and buildings			
Not later than 1 year	34 044	64 003	43 556
Later than 1 year but not later than 5 years	42 669	54 145	58 446
Later than 5 years	–	–	–
	76 713	**118 148**	**102 002**

34.3 Guarantees

	June 2014 R'000	June 2013 R'000	June 2012 R'000
Guarantees issued in respect of office rental for premises occupied by the Group	6 263	7 013	7 527
Medical aid schemes	500	500	3 282
South African Post Office	3 803	3 803	3 803
	10 566	**11 316**	**14 612**

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

35. RELATED PARTY TRANSACTIONS

35.1 Shareholdings

ACT Healthcare Assets (Proprietary) Limited holds 94.1% of the issued share capital of the Company. The ultimate parent of the Company is AfroCentric Investment Corporation Limited (incorporated in South Africa).

35.2 Directors

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

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

35.3 Transactions with entities in the Group

During the period the Group entered into the following arms-length related party transactions:

	Group December 2014 R'000	Group June 2014 R'000	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	–	396	322	321
Mr MJ Madungandaba has a controlling interest in Namane Financial Services – Consulting and marketing fees paid to Namane Financial Services	1 026	2 052	2 052	1 596
Mr S.Rothbart has a controlling interest in Rothbart Inc. – Consulting fees paid by Medscheme Holdings (Pty) Ltd	900	1 800	1 826	1 069

	Group December 2014 R'000	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Associates				
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
AfroCentric Health Limited – interest charged on loan to Invisible card company (Proprietary) Limited)	280	–	–	–
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	–	1	52	–
AfroCentric Health Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	457	914	914	914
Medscheme International Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	12	–	–	–
Medscheme Zimbabwe (Private) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	100	–	–	–
Medscheme (Mauritius) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	113	–	–	–
AfroCentric Management Services (Proprietary) Limited – profile fees paid to Helios IT Solutions (Proprietary) Limited	113	165	171	–
AfroCentric Management Services (Proprietary) Limited– Telkom ,TMS and printer fees paid to Helios IT Solutions (Proprietary) Limited	–	3	–	–
AfroCentric Management Services (Proprietary) Limited – IT support services paid to Helios IT Solutions (Proprietary) Limited	24	14	–	–
Aid for Aids Management (Proprietary) Limited – switching fees paid to Helios IT Solutions (Proprietary) Limited	–	–	52	–
Aid for Aids Management (Proprietary) Limited – Telkom ,TMS and printer fees paid to Helios IT Solutions (Proprietary) Limited	510	944	–	–
Aid for Aids Management (Proprietary) Limited – consulting fees paid to Helios IT Solutions (Proprietary) Limited	–	22	–	–
Allegra (Proprietary) Limited – switching fees paid to Helios IT Solutions (Proprietary) Limited	2 382	5 114	–	–
Allegra (Proprietary) Limited –Hosting, TMS and Telkom fees paid to Helios IT Solutions (Proprietary) Limited	99	9	–	–
Aid for Aids Management (Proprietary) Limited – profile fees paid to Helios IT Solutions (Proprietary) Limited	1 024	1 024	1 928	2 488
Allegra (Proprietary) Limited – fixed assets transferred from Helios IT Solutions (Proprietary) Limited at book value	–	–	–	2 335
Allegra (Proprietary) Limited – License and support fee paid to Helios IT Solutions (Proprietary) Limited	671	872	–	–
Allegra (Proprietary) Limited – Dividend paid to Helios IT Solutions (Proprietary) Limited	1 732	1 534	–	–
Bonitas Marketing Company (Proprietary) Limited – Consulting paid to Helios IT Solutions (Proprietary) Limited	–	169	–	–
Bonitas Marketing Company (Proprietary) Limited – profile fees paid to Helios IT Solutions (Proprietary) Limited	–	–	2	–
Bonitas Marketing Company (Proprietary) Limited – Telkom ,TMS and printer fees paid to Helios IT Solutions (Proprietary) Limited	42	54	–	–

	Group December 2014 R'000	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Bonitas Marketing Company (Proprietary) Limited – broker fees paid to Medscheme Holdings (Proprietary) Limited	813	1 625	1 354	–
Bonitas Marketing Company (Proprietary) Limited – on site support fees paid to Helios IT Solutions (Proprietary) Limited	18	364	157	–
Bonitas Marketing Company (Proprietary) Limited –subscription fees paid to Marabou Travel Management (Proprietary) Limited	–	211	–	–
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	2 400	–
Helios IT Solutions (Proprietary) Limited – fixed assets transferred from Medscheme Holdings (Proprietary) Limited at book value	–	–	76 266	–
Bonitas Marketing Company (Proprietary) Limited –Hosting fees paid to Helios IT Solutions (Proprietary) Limited	17	–	–	–
Bonitas Marketing Company (Proprietary) Limited –Licence and support fees paid to Helios IT Solutions (Proprietary) Limited	40	–	–	–
Helios IT Solutions (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	6 900	–	–	–
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	–	1 087	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	–	2 132	1 140	1 140
Marabou Travel Management (Proprietary) Limited – management fees paid to Marabou Travel (Proprietary) Limited	–	2 132	2 326	2 326
Medscheme Administrators Swaziland (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	660	1 320	1 320	1 320
Medscheme Administrators Swaziland (Proprietary) Limited – switching fees paid to Helios IT Solutions (Proprietary) Limited	–	–	195	–
Medscheme Administrators Swaziland (Proprietary) Limited – IT support services paid to Helios IT Solutions (Proprietary) Limited	453	679	–	–
Medscheme Administrators Swaziland (Proprietary) Limited – profile fees paid to Helios IT Solutions (Proprietary) Limited	188	346	338	–
Medscheme Administrators Swaziland (Proprietary) Limited – license and support fees paid to Helios IT Solutions (Proprietary) Limited	1 378	2 659	1 925	1 858
Medscheme Asset management (Proprietary) Limited – profile fees paid to Helios IT Solutions (Proprietary) Limited	8	85	–	–
Medscheme Asset management (Proprietary) Limited – Telkom ,TMS and printer fees paid to Helios IT Solutions (Proprietary) Limited	10	21	–	–
Medscheme Holdings (Proprietary) Limited – management fees paid to AfroCentric Management Services (Proprietary) Limited	15 256	25 280	23 480	25 020

	Group December 2014 R'000	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Medscheme Holdings (Proprietary) Limited – IT support services paid to Helios IT Solutions (Proprietary) Limited	6 962	536	–	–
Medscheme Holdings (Proprietary) Limited – management fees paid to AfroCentric Health Limited	1 044	2 089	2 089	2 089
Medscheme Holdings (Proprietary) Limited – Switching fees paid to Allegra (Proprietary) Limited	11 224	23 857	–	–
Medscheme Holdings (Proprietary) Limited – subscription fees paid to Marabou Travel Management (Proprietary) Limited	–	162	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	95 426	184 172	195 449	80 309
Medscheme Holdings (Proprietary) Limited – profile fees paid to Helios IT Solutions (Proprietary) Limited	31 210	59 598	56 257	–
Medscheme Holdings (Proprietary) Limited – Dividend paid to AfroCentric Health Limited	138 354	244 698	–	–
Medscheme Namibia (Proprietary) Limited – license and support fees paid to Helios IT Solutions (Proprietary Limited)	1 980	3 695	3 877	3 094
Medscheme Namibia (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	420	324	324	324
Medscheme Holdings (Proprietary) Limited – IT support fees paid to Helios IT Solutions (Proprietary) Limited	1 687	–	–	–
Klinikka (Proprietary) Limited –corporate service fees paid to Helios IT Solutions (Proprietary) Limited	35	–	–	–
Klinikka (Proprietary) Limited –Hosting fees paid to Helios IT Solutions (Proprietary) Limited	103	–	–	–
Aid for Aids Management (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	2 100	–	–	–
Medscheme Namibia (Proprietary) Limited – profile fees paid to Helios IT Solutions (Proprietary) Limited	380	690	–	–
Medscheme Namibia (Proprietary) Limited – Dividend paid to Medscheme Holdings (Proprietary) Limited	13 632	19 462	–	–
Holding company				
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*	16 406	(34 674)	64 098	45 918
AfroCentric Investment Corporation Limited – interest charged on loan from AfroCentric Health Limited	3 580	9 692	6 284	2 995
AfroCentric Investment Corporation Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	1 026	1 500	1 000	600
AfroCentric Health Limited – Dividend paid to AfroCentric Healthcare assets (Proprietary) Limited	96 102	126 865	–	–
AfroCentric Healthcare assets (Proprietary) Limited – Dividend paid to AfroCentric Investment Corporation	90 431	–	–	–

35.4 Key management personnel compensation

	Group June 2014 R'000	Group June 2013 R'000	Group June 2012 R'000
Short-term employee benefits	**21 445**	**15 464**	**16 717**

Key management personnel comprise directors of Medscheme Holdings (Proprietary) Limited.

35.5 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

36. Pensions and other retirement obligations

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

37. Medscheme Provident Fund and Medscheme Employees Provident Fund

These funds are defined contribution plans. Contributions are fully expensed during the year in which they are funded.

Contributions 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

38. Subsequent events

No subsequent events have been identified prior to the approval of the annual financial statements.