HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF ACT HEALTHCARE ASSETS (PTY) LTD ("AHA" OR "THE COMPANY") FOR THE THREE YEARS ENDED 30 JUNE 2020, 30 JUNE 2021 AND 30 JUNE 2022

The historical consolidated financial information below has been prepared for the circular as posted to shareholders on 8 December 2022 ("the Circular") and should be read in conjunction thereto.

The definitions and interpretations commencing on page 8 of the Circular apply mutatis mutandis to this Annexure 3, unless otherwise defined herein.

The Report of Historical Consolidated Financial Information of AHA for the three financial years ended 30 June 2020, 30 June 2021 and 30 June 2022 are set out below. The detailed Report of Historical Consolidated Financial Information of AHA is also available for inspection as set out on paragraph 9 of Section D of the Circular.

The Report of Historical Consolidated Financial Information of AHA is the responsibility of the Directors of AfroCentric Directors.

Review of activities

AHA is an investment holding company for all AfroCentric's operating entities. It is owned by AfroCentric (71.3%) and Sanlam Life (28.7%). AHA's operations mirror those of AfroCentric, i.e. a diverse range of healthcare related enterprises that provide specialised medical scheme administration and deliver a range of healthcare products and services to the public and private healthcare sectors. It provides these services through various majority owned operating companies, all of whom are directly or indirectly held by AfroCentric through AHA.

The operating companies include three main clusters, the Services cluster, Pharmaceutical cluster and Corporate Solutions cluster. It offers documentation-based care equipment and administration services to 28 musculoskeletal treatment centers; and engages in the retail and wholesale of pharmaceutical products under the Pharmacy Direct, MMed, Scriptpharm Risk Management, Curasana Wholesaler, and Activo Health names. The company also provides HIV and other healthcare management solutions. It operates in South Africa, Botswana, Mauritius, and Namibia.

Management commentary

The Group's revenue for the year ended 30 June 2022 increased by 8% to R8 843 million from the prior year (R8 190 million) – this is mainly attributed to the 35% increase in the revenue from the DENIS Group, as it has now been incorporated into the Group results for a full year. The additional services from the GEMS managed care contract, coupled with the growth in the GEMS membership have contributed to a 14% growth in the Services Cluster revenue. The Service Cluster operating profit declined slightly by 2% due to the once-off investment in the vaccination project.

Despite the challenges experienced by the Pharma Cluster in respect of the non-adherence to chronic medicines, the decline in the demand for preventative care medicines, as well as the price reduction in some of the products, the cluster has achieved a 13% increase in revenue.

The investment in the digitisation of the Group, as well as the investment in various new product initiatives, has resulted in a 3.3% decline in Profit before tax to R700.4 million (2021: R724.1 million).

Statement of Compliance

The preparation and presentation of the report of historical financial information is the responsibility of the directors of AHA. The historical financial information has been derived from the audited financial statements of AHA for the years ended 30 June 2022, 2021 and 2020 using the historical results of operations, as well as assets and liabilities. AHA's audited financial statements have been prepared in accordance with IFRS and the SAICA Financial Reporting Guides.

The directors have relied on the fact that the historical financial information which has been derived from audited financial statements for the years ended 30 June 2022, 2021 and 2020, are free from material misstatement, whether due to fraud or error, and that the AHA directors are responsible for the compilations of the annual financial statements for the years ended 30 June 2022, 2021 and 2020 and the internal controls as they determined are necessary to enable the preparation and presentation of the aforementioned financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 30 June

R'000	Notes	2022	2021	2020
Assets				
Non-current assets				
Property and equipment	**5,1**	697 618	690 569	471 957
Right of use assets	**5,2**	147 964	176 924	234 980
Investment property	**6**	7 631	7 765	15 418
Intangible assets	**7**	3 076 336	2 782 866	2 695 187
Investments in associates and joint ventures	**9**	33 340	31 541	33 307
Deferred tax assets	**10**	109 925	149 763	151 407
Investment in holding company	**8,8**	8 780	8 840	7 380
Other financial assets	**13**	75 736	29 661	3 711
Loan to holding company	**8,7**	50 370	42 555	–
Total non-current assets		**4 207 700**	**3 920 484**	**3 613 347**
Current assets				
Inventory	**11**	431 764	421 563	297 851
Trade and other receivables	**8,4**	726 614	494 534	505 921
Current tax assets	**12**	27 267	31 485	25 456
Other financial assets	**13**	–	149 244	–
Loan to holding company	**8,7**	–	–	29 958
Cash and cash equivalents	**8,5**	135 388	195 674	175 746
Total current assets		**1 321 033**	**1 292 500**	**1 034 932**
Total assets		**5 528 733**	**5 212 984**	**4 648 279**
Equity and liabilities				
Equity				
Issued share capital	**15**	1	1	1
Share premium	**16**	1 131 143	1 131 143	1 131 143
Retained income		2 299 678	2 124 514	1 943 155
Non-distributable reserves	**17**	486	486	2 161
Foreign currency translation reserve	**17**	(7 092)	(8 611)	(14 633)
Total equity attributable to owners of the parent		**3 424 216**	**3 247 533**	**3 061 827**
Non-controlling interests	**18**	62 353	47 950	75 495
Total equity		**3 486 569**	**3 295 483**	**3 137 322**
Liabilities				
Non-current liabilities				
Deferred tax liabilities	**10**	275 220	310 340	326 341
Provision for post-retirement benefit	**20**	1 915	2 138	2 594
Lease liabilities	**8,10**	127 790	156 353	181 427
Borrowings	**8,11**	531 082	655 785	266 311
Cash settled share based payment liability	**30**	21 161	18 821	10 276
Contingent consideration	**31**	75 798	–	–
Other liabilities		8 620	–	–
Total non-current liabilities		**1 041 586**	**1 143 437**	**786 949**
Current liabilities				
Employment benefit liabilities	**19**	143 122	130 616	102 776
Trade and other payables	**8,6**	617 340	428 245	361 376
Current tax liabilities	**12**	19 252	23 808	33 086
Lease liabilities	**8,10**	68 610	63 764	96 855
Borrowings	**8,11**	120 000	120 000	120 000
Cash settled share based payment liability	**30**	15 765	7 631	9 915
Deferred payment	**34**	14 139	–	–
Bank overdraft	**8,5**	2 350	–	–
Total current liabilities		**1 000 578**	**774 064**	**724 008**
Total liabilities		**2 042 164**	**1 917 501**	**1 510 957**
Total equity and liabilities		**5 528 733**	**5 212 984**	**4 648 279**

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June

R'000	Notes	2022	2021	2020
Revenue from contracts with customer*	22	8 842 596	8 189 808	6 423 317
Dividends received		663	1 663	–
Fair value gains/(losses)	24	6 369	(6 290)	14
Finance Income	25	17 418	21 913	26 033
Other Income		563	1 314	–
Total Income		**8 867 609**	**8 208 408**	**6 449 364**
Cost of distribution of pharmaceutical products	23	(98 694)	(95 991)	(72 561)
Cost of pharmaceutical products and finished goods	23	(2 022 726)	(1 809 606)	(1 417 207)
Employee benefit costs*	24	(2 364 695)	(2 278 354)	(2 226 379)
Other expenses*	24	(2 958 860)	(2 699 224)	(1 618 779)
Amortisation*	7	(231 269)	(195 027)	(162 909)
Rent and property costs	24	(96 089)	(90 914)	(77 956)
Right of use assets depreciation*	5,2	(63 287)	(66 564)	(70 930)
Depreciation*	5,1	(87 299)	(78 202)	(62 374)
Loss on disposal of property and equipment	24	(4 550)	(3 947)	(1 968)
Increase in expected credit loss allowance	24	5 646	(2 009)	(3 686)
Bad debt write-off	24	(6 554)	(8 705)	(2 454)
Share-based payment expense*	30	(13 127)	(6 870)	(8 896)
IT costs	24	(152 418)	(62 994)	(15 257)
Fair value (loss)/gain on investment in holding company	8,8	(60)	1 460	(2 520)
Write off of intangibles	7	(635)	(26 793)	–
Impairment of intangibles	24	–	(42 349)	(2 920)
Reversal of impairment of intangibles	24	–	39 167	–
Impairment of loans	24	(3 203)	(7 196)	(10)
Share of profits from associates and joint ventures	9	6 991	8 294	7 990
Interest on lease liabilities	25	(19 354)	(21 420)	(27 772)
Finance costs	25	(57 049)	(37 055)	(49 938)
Profit before tax		**700 377**	**724 109**	**632 838**
Income tax expense – continuing operations	26	(193 475)	(192 979)	(155 176)
Profit from continuing operations		**506 902**	**531 130**	**477 662**
Loss from discontinued operations	14	–	(14 008)	(8 122)
Loss on disposal of subsidiaries	14	–	(10 014)	–
Profit for the year		**506 902**	**507 108**	**469 540**

*Please refer to note 14 for details of the discontinued operations

R'000	Notes	2022	2021	2020
Profit for the year		**506 902**	**507 108**	**469 540**
Other comprehensive income				
Components of other comprehensive income that will not be reclassified to profit or loss				
Remeasurement of post-employment benefit obligations		(24)	179	16
Income tax relating to these items	**26**	6	(50)	(4)
Total other comprehensive income that will not be reclassified to profit or loss		**(18)**	**129**	**12**
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation of foreign operations				
Foreign exchange benefit/(loss) of continuing operations		1 519	(5 636)	(380)
Foreign exchange benefit of discontinued operations		–	11 658	–
Total other comprehensive income that will be reclassified to profit or loss		**1 519**	**6 022**	**(380)**
Total other comprehensive income net of tax		**1 501**	**6 151**	**(368)**
Total comprehensive income		**508 403**	**513 259**	**469 172**
Profit for the year attributable to:				
Owners of Parent		476 063	476 086	440 994
Non-controlling interest	**18**	30 839	31 022	28 546
		506 902	**507 108**	**469 540**
Comprehensive income attributable to:				
Comprehensive income, attributable to owners of parent		477 564	482 237	440 626
Comprehensive income, attributable to non-controlling interests	**18**	30 839	31 022	28 546
		508 403	**513 259**	**469 172**
Comprehensive income for the year attributable to owners of the parent arises from:				
Continuing operations		477 564	484 587	448 748
Discontinued operations	**14**	–	(2 350)	(8 122)
		477 564	**482 237**	**440 626**

Basic Earnings	**476 063**	**476 086**	**440 994**
Adjusted for			
Reversal of impairment of intangible assets	–	2 411	2 920
Reversal of goodwill impairment	–	771	–
Reversal of loss on disposal of subsidiaries	–	10 014	–
Loss on disposal of tangible assets	4 550	3 947	1 968
Scrapping of intangible assets	635	26 793	–
Reversal of profit on disposal of investments	–	(1 314)	–
Reversal of fair value losses on investment property	134	7 653	–
Reversal of foreign currency translation reverse reclassification	–	10 401	–
Total tax effects of adjustments	(1 304)	(22 759)	(551)
Headline Earnings	**480 078**	**514 003**	**445 331**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	Notes	Ordinary share capital R'000	Share premium R'000	Foreign currency translation reserve R'000	Non-distributable reserve R'000	Retained earnings R'000	Non-controlling interest R'000	Total equity R'000
Balance 1 July 2019		**1**	**1 131 143**	**(3 115)**	**2 179**	**1 565 325**	**64 737**	**2 760 270**
Changes in equity								
Profit for the year		–	–	–	–	440 994	28 546	**469 540**
Other comprehensive income		–	–	(380)	–	12	–	**(368)**
Dividend recognised as distributions to shareholder		–	–	–	–	(78 558)	(21 354)	**(99 912)**
Increase through changes in ownership interests in subsidiaries that do not result in loss of control		–	–	–	–	2 045	3 566	**5 611**
Reclassification		–	–	(11 138)	(18)	11 156	–	**–**
Measurement period adjustments after acquisition date*		–	–	–	–	2 181	–	**2 181**
Balance at 30 June 2020		**1**	**1 131 143**	**(14 633)**	**2 161**	**1 943 155**	**75 495**	**3 137 322**
Balance at 1 July 2020		1	1 131 143	(14 633)	2 161	1 943 155	75 495	**3 137 322**
Changes in equity								
Profit for the year		–	–	–	–	476 086	31 022	**507 108**
Other comprehensive income		–	–	6 022		129	–	**6 151**
Dividend recognised as distributions to shareholders	**29**	–	–	–	–	(280 218)	(52 500)	**(332 718)**
Transactions with non-controlling interests	**18**	–	–	–	–	(15 011)	(4 989)	**(20 000)**
Disposal of subsidiary	**14**	–	–	–	(1 675)	373	(1 078)	**(2 380)**
Balance at 30 June 2021		**1**	**1 131 143**	**(8 611)**	**486**	**2 124 514**	**47 950**	**3 295 483**
Balance at 1 July 2021		**1**	**1 131 143**	**(8 611)**	**486**	**2 124 514**	**47 950**	**3 295 483**
Changes in equity								
Profit for the year		–	–	–	–	476 063	30 839	**506 902**
Other comprehensive income		–	–	1 519	–	(18)	–	**1 501**
Dividend recognised as distributions to shareholders	**29**	–	–	–	–	(288 239)	(16 055)	**(304 294)**
Transactions with non-controlling interests	**18**	–	–	–	–	(12 642)	(381)	**(13 023)**
Balance at 30 June 2022		**1**	**1 131 143**	**(7 092)**	**486**	**2 299 678**	**62 353**	**3 486 569**
	Notes	**15**	**16**					

* In relation to the acquisition of Activo Health (Pty) Ltd in March 2019, in terms of the sale of shares agreement, a pre-acquisition dividend and payment effected in December 2019. In terms of IFRS 3 business combination, the provisional accounting applied to the acquisition of Activo Health (Pty) Ltd was finalised in December 2019 (which is within the measurement period) resulting in the adjustments.

CONSOLIDATED STATEMENT OF CASHFLOW

for the year ended 30 June

R'000	Notes	2022	2021	2020
Cash flows from operating activities				
Cash receipts from customers		8 857 298	8 211 848	6 460 790
Cash paid to suppliers and employees		(7 733 956)	(7 182 587)	(5 499 588)
Cash generated from operations	**27**	**1 123 342**	**1 029 261**	**961 202**
Dividend paid	**29**	(304 294)	(332 718)	(99 912)
Dividends received		663	4 955	4 873
Interest paid		(76 403)	(58 475)	(77 826)
Interest received		17 418	21 913	26 386
Income taxes paid	**28**	(225 828)	(268 408)	(159 169)
Net cash generated from operating activities		**534 898**	**396 528**	**655 554**
Cash flows from investing activities				
Cash flows from disposal of subsidiaries	**14**	–	(2 835)	–
Business combinations*	**4**	(48 828)	(85 209)	(20 350)
Other cash receipts from sales of interests in associates		–	8 083	–
Proceeds from sales of tangible assets		7 631	68 048	17 115
Purchase of tangible assets	**5**	(106 487)	(284 625)	(136 967)
Proceeds from sales of intangible assets		2 097	3 659	–
Purchase of intangible assets	**7**	(197 203)	(209 202)	(284 210)
Loan advanced to holding company		(7 815)	(12 597)	(29 958)
Purchase of other financial assets		(40 182)	(156 133)	–
Payment toward deferred payment obligation		–	–	(7 335)
Net cash utilised in investing activities		**(390 787)**	**(670 811)**	**(461 705)**
Cash flows from financing activities				
Changes in ownership interests in subsidiaries that do not result in loss of control	**18**	(13 023)	(20 000)	6 303
Lease liability capital repayment	**8,10**	(70 540)	(70 885)	(58 243)
Capital settlement of borrowings	**8,11**	(144 703)	(81 524)	(155 255)
Proceeds of borrowings		20 000	470 998	50 000
Repayments of loan from holding company		–	–	(115 507)
Net cash (outflow)/inflow from financing activities		**(208 266)**	**298 589**	**(272 702)**
Net (decrease)/increase in cash and cash equivalents before effect of exchange rate changes		**(64 155)**	**24 306**	**(78 853)**
Effect of exchange rate changes on cash and cash equivalents		1 519	(4 379)	(380)
Cash and cash equivalents at beginning of the year		195 674	175 747	254 979
Cash and cash equivalents at end of the year	**8,5**	**133 038**	**195 674**	**175 746**

* The 2020 value relates to the portion of the pre acquisition dividend paid to the former shareholders of the Activo Health Proprietary Limited on the date that the dividend was declared. The dividend was paid in December 2019, post the acquisition of Activo Health Proprietary Limited in March 2019.

1. **ACCOUNTING POLICIES**

1(a) General information

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

The Company is a proprietary limited liability company incorporated and domiciled in South Africa. The address of its registered office is 37 Conrad Street, Florida North, Roodepoort, South Africa. The majority of the Company's shares are held by AfroCentric Investment Corporation Limited.

The consolidated and separate Annual Financial Statements have been approved for issue by the Board on 30 November 2022.

(i) Statement of compliance

The Company and the Group Annual Financial Statements were prepared in accordance with the requirements of the International Financial Reporting Standards ("IFRS") and interpretations issued in accordance to the International Financial Reporting Interpretations Committee (IFRS IC). These Annual Financial Statements have been issued in accordance with the requirements of the International Accounting Standards Board (IASB) and Companies Act. The accounting policies applied in the Annual Financial Statements are the same as those applied in the Group's Audited Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021 and 30 June 2020.

(ii) Basis of presentation

The principal accounting policies applied in the preparation of these consolidated and separate Annual Financial Statements are set out below. These policies have been consistently applied to all the 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.

Carried at fair value:

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

The preparation of the Annual Financial Statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Annual Financial Statements and the reported amounts of revenues and expenses during the reporting years. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The statement of comprehensive income is presented on a hybrid method of the nature and function method as the Group believes this represents more meaningful and relevant information to the user and is disclosed in this manner.

(iii) International Financial Reporting Standards and amendments effective for the first time for 30 June 2022 year-ends

IFRS	Effective date	Executive summary
IFRS 4 Insurance Contracts	Annual periods beginning on or after 1 January 2021	Interest Rate Benchmark Reform Phase 2: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. • The amendment to IFRS 4 enables an insurer applying the temporary exemption from IFRS 9 to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform. The standard did not have a material impact on the Group.
IFRS 7 Financial Instruments: Disclosures	Annual periods beginning on or after 1 January 2021	Interest Rate Benchmark Reform Phase 2: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. • The amendment to IFRS 7 requires a company to make additional disclosures in its financial statements so that investors can better understand the effects of IBOR reform on that company. The standard did not have a material impact on the Group.
IFRS 9 Financial Instruments	Annual periods beginning on or after 1 January 2021	Interest Rate Benchmark Reform Phase 2: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. • The amendments to IFRS 9 enable a company to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform. • The amendments to IFRS 9 enable (and require) companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the IBOR reform, by requiring companies to amend their hedging relationships to reflect: – designating an alternative benchmark rate as the hedged risk; or – changing the description of the hedged item, including the designated portion, or of the hedging instrument. The standard did not have a material impact on the Group.

IFRS	Effective date	Executive summary
IFRS 16 Leases	Annual periods beginning on or after 1 April 2021	COVID-19-Related Rent Concessions: Amendment providing lessees with an exemption from assessing whether a COVID-19-related rent concession (a rent concession that reduces lease payments due on or before 30 June 2022) is a lease modification.
	Annual periods beginning on or after 1 January 2021	Interest Rate Benchmark Reform Phase 2: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. • The amendment to IFRS 16 enables a company to apply a practical expedient to account for a lease modification required by the IBOR reform. The standard did not have a material impact on the Group.

(iv) International Financial Reporting Standards, interpretations and amendments issued but not effective for 30 June 2022 year-ends

The Group did not elect to early adopt any of the standards, interpretations and amendments not yet effective.

IFRS 1 First-time Adoption of International Financial Reporting Standards	Annual periods beginning on or after 1 January 2022	Annual Improvements to IFRS Standards 2018–2020: Extension of an optional exemption permitting a subsidiary that becomes a first-time adopter after its parent to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. A similar election is available to an associate or joint venture. The standard is not expected to have a material impact on the Group.
IFRS 3 Business Combinations	Annual periods beginning on or after 1 January 2022	Reference to the Conceptual Framework: The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. This standard is not expected to have a material impact on the Group.
IFRS 9 Financial Instruments	Annual periods beginning on or after 1 January 2022	Annual Improvements to IFRS Standards 2018–2020: The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. The standard is not expected to have a material impact on the Group.

IFRS	Effective date	Executive summary
IFRS 17 Insurance Contracts	Annual periods beginning on or after 1 January 2023	IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS • IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. • The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. • Insurance contracts are required to be measured based only on the obligations created by the contracts. • An entity will be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums. • This standard replaces IFRS 4 Insurance Contracts.
	An entity that elects to apply the amendment applies it when it first applies IFRS 17	The amendment permits entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The standard is not expected to have a material impact on the Group.
IAS 1 Presentation of Financial Statements	Annual periods beginning on or after 1 January 2023	The standard is not expected to have a material impact on the Group. Classification of Liabilities as Current or Non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material. The standard is not expected to have a material impact on the Group.
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Annual periods beginning on or after 1 January 2023	Disclosure Initiative: The amendments clarify and align the Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The requirements for recognising the effect of change in accounting prospectively remain unchanged. The standard is not expected to have a material impact on the Group.

IFRS	Effective date	Executive summary
IAS 12 Income Taxes	Annual periods beginning on or after 1 January 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction: The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items. The standard is not expected to have a material impact on the Group.
IAS 16 Property, Plant and Equipment	Annual periods beginning on or after 1 January 2022	Property, Plant and Equipment: Proceeds before Intended Use: The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The standard is not expected to have a material impact on the Group.
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	Annual periods beginning on or after 1 January 2022	Onerous Contracts – Cost of Fulfilling a Contract: The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making. The standard is not expected to have a material impact on the Group.

1(b) Basis of consolidation

(i) Subsidiaries

The consolidated Annual Financial Statements incorporate the Annual Financial Statements of the Company and entities controlled by the Company. The Annual Financial Statements are available at the premises of the Company's offices, being 37 Conrad Street, Florida North, Roodepoort, 1709.

(ii) Business combinations

Subsidiaries are all entities over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated, when necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(iii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor rather than the legal structure of the joint arrangement.

At Company and Group, the investments in associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in the statements of profit or loss and other comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associates and joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount separately in the statements of profit or loss and other comprehensive income.

Profits and losses and unrealised gains resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates and joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

1(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the Annual Financial Statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated Annual Financial Statements are presented in South African Rand, which is the Company's functional and presentation currency. The amounts presented in the consolidated Annual Financial Statements have been rounded to the nearest thousand Rand.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance income or costs". Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities measured at fair value through other comprehensive income, are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

(b) Income and expenses for each statements of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the exchange rates prevailing at the dates of the transactions, in which case income and expense items are translated at the exchange rates at the dates of the transactions); and

(c) All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as other reserves.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at each reporting date. Exchange differences arising are recognised in other comprehensive income.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in other reserves, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

On the partial disposal of a subsidiary that includes a foreign operation, the Group re-attributes the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation the Group reclassifies to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income.

1(d) Property and equipment

Property and equipment are initially recorded at cost. Subsequently these are measured 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 when they meet the recognition criteria of property and equipment. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

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

The estimated maximum useful lives are:

Asset class	
Equipment	5 to 20 years
Right of use assets (refer note 1(h))	2 to 10 years (depending on the lease term)
Buildings	30 to 50 years
Leasehold improvements	2 to 10 years (depending on the lease term)
Motor vehicles	5 to 6 years
Furniture and fittings	5 to 10 years
Computer equipment	3 to 7 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. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Derecognition

The carrying amount of an item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal and the gain or loss arising from the derecognition of an item of property and equipment is included in profit and loss when the item is derecognised.

1(e) Investment property

(i) Initial recognition

Investment property is initially recognised at cost, with transaction costs and other directly attributable expenditure being included in the initial measurement.

(ii) Subsequent measurement

An investment property is subsequently measured at fair value and gains or losses from the fair value adjustments are recognised in profit or loss. The valuation is prepared annually by an independent valuer. Refer to Note 6.2 for the valuation process.

(iii) Derecognition

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses from derecognition of an investment property are determined as the net disposal proceeds less the carrying amount and are recognised in profit or loss.

1(f) Intangible assets and goodwill

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

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

The estimated maximum useful lives are:

Asset class	
Contractual customer relationships	5 to 10 years
Trademarks, brands and intellectual property	10 years
Internally generated computer software development costs	Less than 15 years
Computer software acquired	2 to 5 years
Goodwill	Indefinite
Pharmaceutical dossiers	10 to 20 years

Goodwill, by its nature, relates to future benefits that the Group expect to realise from synergies between the acquired companies and the Group. These synergies are expected to be ongoing for the Group – as such Goodwill has an indefinite useful life.

(i) 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 carrying amount of investments in associates and is tested for impairment as part of the overall balance. Goodwill on acquisitions of subsidiaries is included in intangible assets.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating unit (CGU), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

(ii) Contractual customer relationships

Acquired contractual customer relationships from business combinations are recognised at fair value at acquisition date. As contractual customer relationships have a finite useful life, they are subsequently carried at cost less accumulated amortisation and impairment losses.

(iii) Trademarks, brands and intellectual property

Trademarks, brands and intellectual property have finite useful lives and are initially measured at fair value and subsequently amortised over their useful lives.

(iv) Internally generated computer software development costs

Development 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:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The expenditure attributable to the software during its development can be reliably measured.

Research and development expenditure that does not meet the criteria above is recognised as an expense as incurred. Costs associated with maintaining computer software programmes are expensed as incurred. Development costs previously expensed are not recognised as an asset in a subsequent period. 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.

(v) 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.

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

(vi) Pharmaceutical dossiers

Pharmaceutical dossiers relate to generic pharmaceuticals products including over the counter medicine, antiretrovirals (ARVs) and acute and chronic medicines. These were fair valued at acquisition date and subsequently are amortised over their useful lives.

1(g) Impairment of assets

Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life or intangible assets not ready for use which are not subject to amortisation 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 (CGUs). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

1(h) Leases

(i) The Group is the lessee

The Group leases various properties, motor vehicles, office equipment and furniture. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options as described in 1(h) (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. All non-cancellable lease terms are taken into account when determining the lease term. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option; and
- the lease payments are discounted using the Group's incremental borrowing rate or the rate implicit in the lease.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leased assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(ii) Extension and termination options

Extension and termination options are included in a number of property and vehicle leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

1(i) Financial instruments

(i) Classification

Classification of a financial instrument, or its component parts takes place on initial recognition. Each instrument is classified as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

Financial assets classification

The group classifies financial assets into the following categories:

- Financial assets subsequently measured at fair value through profit or loss;
- Financial assets subsequently measured at fair value through other comprehensive income (OCI); and
- Financial assets subsequently measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Financial liabilities classification

The Group classifies financial liabilities into the following categories:

- Financial liabilities subsequently measured at amortised cost; and
- Financial liabilities subsequently measured at fair value through profit or loss.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

(ii) Initial recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(a) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(b) Financial assets – assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

(iii) Classification and subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classifications below.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets at amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

(b) Financial assets at fair value through other comprehensive income

The Group classifies its financial assets as at fair value through other comprehensive income (FVOCI) only if both of the following criteria are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Financial assets and liabilities designated at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

- Debt investments that do not qualify for measurement at either amortised cost or FVOCI;
- Equity investments that are held for trading; and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income (OCI).

(d) Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee on the date the company becomes a party to an irrevocable commitment.

Subsequently it is measured at the higher of:

- the amount of the expected loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in to the principles of IFRS 15, Revenue from Contracts with Customers.

(e) Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECL) on financial assets measure at amortised cost.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured at 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument. 12 – month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(f) Derecognition

Financial asset

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group/Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Furthermore, the Group derecognises financial assets when there is no reasonable expectation of recovering the outstanding balance.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

1(j) Contingent liabilities

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

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

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

(i) the amount that would be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

(ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IFRS 15 Revenue.

Contingent liabilities not acquired in business combinations are not recognised but disclosed in Note 31.

1(k) 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 pre-tax discount 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.

1 (l) Employee costs

(i) Pension and provident fund obligations

The Group operates a number of defined contribution plans, the assets of which are held in separate registered 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 annual 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.

(ii) Post-employment medical obligations

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

(iii) 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".

(iv) 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 12 months after statement of financial position date are discounted to present value.

(v) Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided, to the "Employee benefit costs" in the statement of comprehensive income.

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 expense is recognised as "Employee benefit costs" in the statement of comprehensive income (refer to Note 26). Factors that are taken into account when determining the incentive bonus amount include key performance indicators and performance of both the individual and the company.

1(m) Investment in subsidiaries

Investment in subsidiaries are accounted for at cost less accumulated impairment in the separate Annual Financial Statements of the Company.

1(n) Income and expense recognition

Revenue comprises the fair value of the consideration received or receivable for goods sold and services provided in the ordinary course of business.

The Group recognises revenue once performance obligations have been met.

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

(i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good and monthly as the services are performed.

The revenue recognised is typically due within 30 days of rendering the service. There is therefore no significant financing component.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of products/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Healthcare administration fees and healthcare insurance administration	Administration of the fund/ scheme and insurance underwriting contracts, which could include processing claims, collecting payments, maintaining records, member administration	The customer benefits as AfroCentric provides the service, thus revenue is recognised as the services are rendered over the contract duration. The fee charged is per member per month – even though some of the contracts have sliding scales applicable depending on member numbers, this does not impact the revenue to be recognised in a given month as that months' services would result in revenue for that month based on the number of members during that month multiplied by the applicable rate. The contracts provide for annual escalation – such amendments are accounted for in the period in which they arise. As the penalties give rise to variable consideration management estimates the effect of penalties in determining the appropriate amount of revenue to recognise per month. Variable consideration: There are sliding scales applicable depending on member numbers – the revenue recognised for each month is dependent on the member numbers in each month multiplied by the rate per member for that category of member numbers included in the sliding scale. The fee charged corresponds directly with the value transferred to the customer, hence the Group uses the output method to measure the progress of revenue. The output method using fees charged is the most faithful representation of the services rendered / delivered to the customer.
Retail/ pharmaceutical	Services provided vary across the agreements, but include the following: maintenance of stock of medicines required to fulfil scripts, contacting members to inform them of script expiry, delivery and dispensing of medicines per scripts. Goods sold comprise various branded and generic Pharmaceutical goods. Standard trade agreements are in place setting out the timing of payments to which the company is entitled to.	Services provided: The customer benefits as AfroCentric provides the service, thus revenue is recognised as the services are rendered, which is as the dispensed medicines are delivered to the member, thus revenue in respect of the sale of the medicines and the services are recognised at the same time. Medicine prices charged are regulated. Fee per medicine per script is indicated in the contract. As the penalties give rise to variable consideration management estimates the effect of penalties in determining the appropriate amount of revenue to recognise per month. The fee charged corresponds directly with the value transferred to the customer, hence the Group uses the output method to measure the progress of revenue. The output method using fees charged is the most faithful representation of the services rendered / delivered to the customer. Goods sold: Revenue from sale of goods is recognised when the company transfers control of the goods. Control of goods transfers upon shipment of the goods to the customer or when the goods is available for use to the customer, provided transfer of title to the customer occurs and the company has not retained any significant risks of ownership or future obligations with respect to the product shipped. Revenue is therefore recognised at a point in time.

Type of products/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Health risk management fees – Medical aid schemes	Management services vary per customer contract, and per scheme option. Services within a specific option are indivisible.	The customer benefits as AfroCentric provides the service, thus revenue is recognised over time. Additional once-off services which are performed has resulted in revenue recognition as that service is provided. The fee charged is per member per month – even though some of the contracts have sliding scales applicable depending on member numbers, this does not impact the revenue to be recognised in a given month as that months' services has resulted in revenue for that month based on the number of members during that month multiplied by the applicable rate. The contracts provide for annual escalation – such amendments are accounted for in the period in which they arise. As the penalties give rise to variable consideration management estimates the effect of penalties in determining the appropriate amount of revenue to recognise per month. Variable consideration: There are sliding scales applicable depending on member numbers – this does not impact the revenue to be recognised in a given month, as that month's services would result in revenue for that month based on the number of members during that month multiplied by the applicable rate. The fee charged corresponds directly with the value transferred to the customer, hence the Group uses the output method to measure the progress of revenue. The output method using fees charged is the most faithful representation of the services rendered / delivered to the customer.
Marketing services	Sales and marketing initiatives that support and promote the brand of our various clients.	The customer benefits as and when the Group entities render the services in terms of the signed contract. Marketing fees are paid by the customer monthly, which is in line with the frequency and timing of satisfying performance obligations under the contract. The fee charged for the marketing and sales distribution of the Sanlam Gap insurance product is based on five percent of gross written premium per month. The fee charged corresponds directly with the value transferred to the customer, hence the Group uses the output method to measure the progress of revenue. The output method using fees charged is the most faithful representation of the services rendered / delivered to the customer.
IT revenue	Administration of the fund/ scheme, which include processing claims, collecting payments, maintaining records, member administration and IT services which includes hosting and switching fees.	The customer benefits as AfroCentric group of entities provide the service, thus revenue is recognised as the services are rendered over the contract duration. The fee charged is per claim per month. The contracts provide for annual escalations. Such amendments are accounted for in the period in which they arise. The rates are updated from the month the increase is effective per the contract. Payments are made on a monthly basis.

Type of products/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Health risk management fees – Capitation funds	Fees are paid upfront i.e. it is a *bona fide* transfer to the risk which means the capitation fees/ monies paid to the Group are utilised to pay the service providers for authorised medicine dispensed which is related to the costs included in the capitation fee complication.	Capitation fees are recognised as the services are rendered over the contract duration. The capitation fees are paid by the customers monthly, which is in line with the Company satisfying its performance obligations under the contract. The fee charged corresponds directly with the value transferred to the customer, hence the Group uses the output method to measure the progress of revenue. The output method using fees charged is the most faithful representation of the services rendered / delivered to the customer.
Management fees	Management fees are charged for successful third-party recoveries which may be due back to the Scheme(s). These recoveries relate to past medical expenses previously paid by Medical Schemes and subsequently settled by the Road accident fund and paid back to the relevant Scheme(s). Recovery success fees are charged in line with rates agreed and set out in the relevant contracts with Schemes/third-parties. Management fees are also charged for the operational management and growth strategy of the Centriq Cell Captive.	The customer benefits as AfroCentric provides the service, thus revenue is recognised over time. Additional once-off services which are performed results in revenue recognition as that service is provided. The fee charged is per member per month – even though some of the contracts have sliding scales applicable depending on member numbers, this does not impact the revenue to be recognised in a given month as that months' services would result in revenue for that month based on the number of members during that month multiplied by the applicable rate. The contracts provide for annual escalation – such amendments are accounted for in the period in which they arise. The fee charged for the management of the Centriq Cell Captive is based on the monthly profit generated on the cell. Payments occur 30 days from statement date. The fee charged corresponds directly with the value transferred to the customer, hence the Group uses the output method to measure the progress of revenue. The output method using fees charged is the most faithful representation of the services rendered / delivered to the customer.

(ii) Finance income

Interest income is recognised on a time-proportion basis using the effective interest method. Interest income on impaired loans should continue to be recognised on a time proportion basis using the effective interest method on the impaired balance.

(iii) Dividend income

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

For the Company as a standalone entity, dividends are considered to be revenue in nature seeing as the Company is an investment holding company (which is the primary business purpose/activity of the Company) and the dividends are generated from the holding of these underlying subsidiaries. From a Group perspective however, majority of the dividends are eliminated (as they are intergroup dividends from downstream subsidiaries). As such dividend income from a Group perspective is considered to be income and not revenue.

The Group derives revenue from its primary operations and trading activities as outlined in the "Revenue from contracts with customers" section of the accounting policy.

(iv) Other expenditure

All other expenditure is recognised as and when incurred.

(v) Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1(o) Inventories

Inventories include assets held for sale in the ordinary course of business such as pharmaceutical products as well as highly specialised high-value medical equipment.

Inventories are initially measured at cost and subsequently measured at the lower of cost and net realisable value on a weighted average basis. Net realisable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs necessarily incurred to make the sale.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1(p) Taxation

(i) Direct taxation

Direct taxation includes all domestic and foreign taxes based on taxable profits and capital gains tax. Current tax is determined for current period transactions and events and deferred tax is determined for future tax consequences. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

The current income tax charge is calculated on the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

The Group offsets current tax assets and current tax liabilities when it has a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is recognised in full, using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the Annual Financial Statements. Deferred 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 tax liability is settled. However, deferred tax is not recognised on:

- initial recognition of goodwill;
- initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and
- investments in subsidiaries and associates where the Group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(ii) Dividends tax

Taxes on dividends declared by the Group are recognised as part of the dividends paid within equity as dividends tax represents a tax on the shareholder and not the Group, at the rate of 20%. Tax on dividends in specie will remain the liability of the Company declaring the dividend.

South African resident companies are exempt from the new dividends tax. Upon declaring a dividend (excluding dividends in specie), the Group withholds the dividends tax on payment and, where the dividend is paid through a regulated intermediary, liability for withholding dividends tax shifts to the intermediary. Dividends tax does 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 tax relief.

Dividends tax withheld by the Group on dividends paid to its shareholders and payable at the reporting date to the South African Revenue Service (SARS) is included in "Trade and other payables" in the statement of financial position.

1(q) Dividends

Dividends are recorded in the Group's Annual Financial Statements in the period in which they are approved by the Group's shareholders.

1(r) Share capital

(i) 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 by other members of the consolidated Group, the consideration paid or received is recognised directly in equity as a treasury share reserve.

(ii) Share-based payments

The AfroCentric Investment Corporation Limited Group issues equity-settled share-based awards 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 ACT Healthcare Assets Company and Group accounts for the share-based payment awards as cash settled share based awards, as ACT Healthcare Assets (Pty) Ltd and its subsidiaries need to reimburse AfroCentric Investment Corporation Limited for their share of the Group's total share based cost. The share-based payment expense is accounted for individually in each impacted subsidiary where the participants are employed. The Group's IFRS 2 share-based payment expense is recharged to the respective subsidiary which employs participants who qualify for participation in the scheme.

1(s) Incurred But Not Reported (IBNR) and seasonality reserves policy

Dental Information Systems Proprietary Limited and Scriptpharm Risk Management Proprietary Limited have a financial year-end of 30 June with a Scheme's benefit year from 1 January to 31 December each year. Revenue is earned monthly but claims cost is not incurred evenly due to seasonality changes.

The claims budget prepared for each financial year is management's best estimate of the claims experience taking the seasonality into account. A seasonality reserve is usually held at each financial year-end (where applicable) for the difference between the actual and budgeted claims where the budgeted claims is higher than the actual claims, a seasonality reserve will be recognised.

As the claims are not incurred evenly in the year, the seasonality reserve highlights the claims at year-end pertaining to the calendar period January to June that will come through in the period July to December.

IBNR relates to claims incurred but not received at financial year-end. This pertains to claims with a service date of on/before 30 June that would be received for payment on/after 1 July.

1(t) Non-current assets held for sale and discontinued operations

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. An asset (or disposal group) is deemed to be held for sale if it is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale is highly probable.

The Group measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell.

The Group discloses a single amount in the statement of comprehensive income comprising the total of:

- the post-tax profit or loss of discontinued operations; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

The Group discloses the net cash flows attributable to the operating, investing and financing activities of discontinued operations in the Discontinued operations note to the annual financial statements.

The disclosures relating to the statement of comprehensive income and net cash flows are re-presented for prior periods presented in the annual financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

Adjustments in the current period to amounts previously presented in discontinued operations that are directly related to the disposal of a discontinued operation in a prior period is classified separately in discontinued operations.

If the Group ceases to classify a component as held for sale, the results of operations of the component previously presented in discontinued operations is reclassified and included in income from continuing operations for all periods presented.

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 as follows:

2 (a) Impairment of goodwill

The carrying amount of goodwill is tested annually for impairment (regardless of whether or not any indicators of impairment exist) in accordance with the requirements of IAS 36. The recoverable amount of the CGUs has been determined based on value-in-use calculation, being the net present value of the discounted cash flows of the CGU. Details of the main assumptions applied in determining the recoverable amount of the CGU are provided in Note 7 in these Annual Financial Statements.

2(b) 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 2022 was R705 million (June 2021: R698 million) and R3 076 million (June 2021: R2 783 million) respectively.

2(c) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed annually and if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

2(d) Fair value measurement

For further details and main assumptions please refer to Note 6.3 and Note 14 in these Annual Financial Statements.

2(e) Deferred tax assets

The deferred tax assets include an amount of R14.3 million (2021: R10.7 million) which relates to carried forward tax losses. Some companies have incurred losses over the past financial years but management has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for these companies.

The assessed losses brought forward for these companies are expected to be utilised on an annual basis going forward. This is due to the expectation they will be generating taxable profits in the foreseeable future. The losses can be carried forward indefinitely and have no expiry date.

2(f) 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 as disclosed in Note 32.

2(i) Contingent liabilities recognised on business combinations

During the current financial year, ACT Healthcare Assets Proprietary Limited, through its subsidiary Activo Health Proprietary Limited, acquired Activo Healthcare Assets Group (formerly known as Exeltis SA). An at acquisition contingent liability of R8.62 million related to dossier registration milestone payment commitments was recognised in line with IFRS 3 Business Combinations. (Refer Note 4).

The fair value was determined by using the maximum loss and the potential impact of this liability materialising at the date of acquisition.

2022	**Fair value R'000**
Dossier registration milestone commitments	8 620

	June 2022 R'000	**June 2021 R'000**
Carrying amount of contingent liability at the beginning of the year	–	–
Acquired through business combination	8 620	–
Fair value adjustment	–	–
Carrying amount of contingent liability at the end of the year	**8 620**	**–**

The timing of the milestone payments are dependent on the timing of submitting the application for registration, as well as the period between submitting the application and registration being finalised. Management estimates that the payments will be made between 2 and 7 years after the date of acquisition. No reimbursements of the milestone payments are expected.

The contingent liability is included in the Other liabilities amount disclosed in the Non-current liabilities section on the face of the statement of financial position.

2(g) Estimation of ECL allowance

The Group has historically had high-quality debtors and an impeccable repayment history. As a result there isn't a general provision model applicable to the Group.

The ECL for trade receivable for segments with a history of provisions of credit losses has been calculated using a Provision Matrix approach and Time Value of Money loss approach for segments with no history of credit losses.

Provision matrix

Provision matrix calculates the cash flows and then discounts those cash flows to calculate the real outstanding debtors (the outstanding debtors taking into account time value of money by subtracting the discounted cash flows from the initial outstanding debtors).

The roll rates, loss rates and ultimate loss rate are calculated which will be the percentage of trade debtors as at year end that are written off.

Time value of money

The debtors whose expected credit losses are calculated using the time value of money are those that have not been previously or historically written off due to the fact that they are slow payers. The expected credit losses are therefore limited to the effects of the time value of money due to slow paying (the opportunity cost of delayed payments).

Therefore, this is based on the premise that all debtors will be collected, the time value of money loss is the ultimate IFRS 9 impairment, and there is no credit loss.

Time value of money loss is calculated as (cash flows less discounted cash flows) ÷ cash flows.

2(h) Impairment of internally generated software

The carrying amount of internally generated software is tested annually for impairment. The recoverable amount of the cash-generating units ("CGU") has been determined based on the value-in-use calculation, being the net present value of the discounted cash flows of the CGU. The main assumptions applied in determining the net present value are:

- the estimated revenues to be earned from the use of the assets and the period over which those revenues are projected;
- the weighted average cost of capital; and
- risk adjustment factors used in deriving an appropriate discount rate applied to future estimated cash flows.

2(i) Useful lives of internally generated software

The useful lives of internally generated software have been assessed to be no more than 15 years. The estimate is based on the expected period over which benefits will be derived from the software.

2(j) Principal versus agent consideration

Activo Health Proprietary Limited, Pharmacy Direct Proprietary Limited and Curasana Wholesaler Proprietary Limited individually controls its respective inventory before it is sold to a customer.

Dental Information Systems Proprietary Limited and Scriptpharm Risk Management Proprietary Limited perform capitation services. These entities do not act in the capacity of an agent, as they have a responsibility to satisfy the performance obligations due to the capitation arrangements in place.

2(k) IBNR and seasonality reserve

The main assumption used in determining the reserve are:

- The run-off of claims is determined by using the same period in the prior year as a basis for calculating the run-off percentage.
- Utilising the same period in the prior year as a basis of calculating is deemed appropriate as the prior year would already be fully run-off.
- At year-end, management investigates the claims trend and re-performs the forecast. The amended forecast is used to compare to the actuals to determine a more accurate seasonality reserve.

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 and Company 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, stakeholders 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 and Company.

The Retail, Healthcare and Administration business activities are exposed to a variety of financial risks:

- Market risk;
- Credit risk; and
- Liquidity risk

The Group's and Company'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.

Refer to Note 8 for classes of financial assets and liabilities.

(i) 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. The Group is not exposed to any foreign exchange risk in relation to its foreign operations in Namibia as the currency of this country is fixed to the South African Rand.

Cash flows from the Group's other foreign investments (Botswana and Mauritius) bear foreign exchange risk. The most significant exposure is to the Mauritian Rupee and the Botswana Pula. In the prior year, the most significant exposure included exposure to the Zimbabwe Real Time Gross Settlement (RTGS) and the United States Dollar (US Dollar) through the Group's foreign investment in Zimbabwe. The impact of foreign exchange risk on profit and loss amounted to R1 518 811 profit in the 2022 financial year (2021: R4 379 000 loss).

The Group exited the Zimbabwean operation during the prior financial year. Refer to Note 15 for the details of the disposal. The Group manages its currency risk by minimising foreign exposure.

The Group's overall currency risk is not material.

The table below presents the average and spot rates of the foreign currencies to which the Group has significant exposure:

	2022		2021		2020	
	Spot rate	**Average rate**	**Spot rate**	**Average rate**	**Spot rate**	**Average rate**
Mauritian Rupee	0,357	0.350	0,333	0,385	0,422	0,417
Botswana Pula	1,332	1,319	1,319	1,383	1,484	1,401
RTGS	N/A*	N/A*	0.180	0,206	0,303	0,707
US Dollar	N/A*	N/A*	14.310	15,315	17,129	15,678

* Due to the Group exiting the Zimbabwean operation during the prior financial year, it does not have any exposure to these foreign currencies in the current financial year.

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk from external borrowings.

The Group's and Company's interest income arises from interest-bearing instruments and fixed deposits. The Group's Treasury manages excess funds on a daily basis into call/deposit accounts to ensure that the best yield is obtained for the Group.

The Group's interest expense arises from the Nedbank borrowings facilities.

The financial condition to the Nedbank facility is for the Group to ensure that net debt to EBITDA in respect of any relevant period shall not exceed 2.5:1 times and Interest cover in respect of any relevant period shall not be less than 4:1. This helps management to manage the interest rate risk.

The Group further manages the risk through negotiating low interest rates, meeting debt obligations as they fall due, maintaining a good credit record, opting for fixed interest rate instruments where available and also through opting for sourcing funds within the Group rather than incurring external loans.

The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. The South African Reserve Bank (SARB) has indicated their intention to move away from Johannesburg Interbank Average Rate (JIBAR) and to create an alternative reference rate for South Africa. This reform is at various stages globally, a suitable alternative for South Africa is only expected to be announced in a few years' time. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the Group.

The Group and Company have used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income and equity of an instantaneous increase of 2% (200 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 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; and
- 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.

Instruments exposed	Increase in 2% on statement of comprehensive income R'000 2022	2021	2020
Bank balances and short-term investments	4 008	6 380	8 294
Borrowings	(14 292)	(11 279)	(10 739)
Total	**(10 284)**	**(4 899)**	**(2 445)**

	Decrease in 2% on statement of comprehensive income R'000 2022	2021	2020
Bank balances and short-term investments	(4 008)	(6 380)	(8 294)
Borrowings	14 292	11 279	10 739
Total	**10 284**	**4 899**	**2 445**

Under these assumptions, a 2% increase in market interest rates at 30 June 2022 would decrease Group profit before tax by approximately R10 284 000 (June 2021: R4 899 000; June 2020: R2 445 000).

A decrease of 2% in market interest rates at 30 June 2022 would increase Group profit before tax by approximately R10 284 000 (June 2021: R4 899 000; June 2020: R2 445 000).

(iii) Credit risk

Credit risk arises from borrowings, 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 are accepted (refer to Note 8.5). 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 and Company's client base comprises high credit quality financial institutions. Refer to Note 8 for the rating table.

No credit limits were exceeded during the reporting period. Individual limits are set for each client based on the factors above as assessed by management. These limits are monitored by management and ensured that they are not exceeded.

Expected credit losses (ECL) assessment for individual customers as at 30 June 2022, 30 June 2021 and 30 June 2020

The Group uses a simplified approach to measure and recognise ECL on a lifetime basis for trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

The loss rate incorporates the impact of forward-looking information. The following macro-economic factors were considered:

- Gross Domestic Product annual growth rate;
- Prime lending interest rate;
- Inflation rate; and
- Unemployment rate

A regression analysis was performed to identify reasonable and supportable forward-looking information using the above macro-economic factors. The conditions for such an adjustment are statistical and economic significance, and the adjustment will only be made when both conditions are met.

Results from the regression analysis indicated that the relationship between the macro-economic factors considered and historical loss rates was not statistically significant, hence no forward-looking information adjustment was applied to the determination of the ECL making the ECL before a forward-looking adjustment equal to the final ECL.

A debtor is considered to be credit impaired if the following events are present:

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

Default is defined as any amounts which have been outstanding for a period of at least 90 days past their due dates.

Trade receivables are written off after all collection steps have been exhausted, including the issue of letters of demand, and there is no reasonable expectation of recovery.

The following table provides information about the exposure to credit risk and ECL for trade receivables from individual customers as at 30 June 2022. Trade receivables' expected credit loss is calculated by using a combination of the weighted average loss rate and the time value money loss.

30 June 2022	**Weighted average loss rate**	**Gross carrying amount R'000**	**Loss allowance R'000**	**Credit impaired**
Current (not past due)	0,98	338 142	3 324	No
30 days past due	0,90	184 814	1 665	No
60 days past due	8,21	6 092	500	No
90+ days past due	7,04	48 406	3 408	No
Total		**577 454**	**8 897**	

30 June 2021	**Weighted average loss rate**	**Gross carrying amount R'000**	**Loss allowance R'000**	**Credit impaired**
Current (not past due)	0,31	272 971	840	No
30 days past due	3,66	78 484	2 869	No
60 days past due	23,67	15 859	3 754	No
90+ days past due	29,41	38 603	11 355	No
Total		**405 917**	**18 818**	

30 June 2020	**Weighted average loss rate**	**Gross carrying amount R'000**	**Loss allowance R'000**	**Credit impaired**
Current (not past due)	0,89	285 942	2 556	No
30 days past due	0,33	70 606	230	No
60 days past due	3,22	15 436	497	No
90+ days past due	41,54	76 890	31 979	No
Total		**448 874**	**35 262**	

The Group used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income of an instantaneous change of 1% in the loss rates with all other variables remaining constant.

Under these assumptions a 1% increase in loss rate will result in a decrease in group profit before tax of R594 383 and a 1% decrease will result in an increase in group profit before tax of R458 040.

Expected credit losses (ECL) assessment for borrowings to related parties

There are no fixed terms of repayment of the intercompany loans. The loans are either paid when the lender calls on the payment or when a review has been undertaken of the outstanding balances.

On a monthly basis, the intercompany loans are reviewed to determine the quantum of what is owed and on a quarterly basis, the intercompany loans are settled where practical.

Loss rates are calculated using a “roll rate” method based on the probability of a receivable progressing through successive stages of delinquency to write off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

Inputs and assumptions used to determine the expected credit loss

For each borrower, the cash balances are initially compared to any external loans payable (for example the Nedbank Credit Facility) to determine whether the borrower would have sufficient cash resources to settle these external loans prior to settling any intercompany loans. The net asset value of the borrower post the settlement of any external loans is compared to the intercompany loans receivable to determine the ability to settle the loans.

Calculation of the expected credit losses (ECL)

The probability of default is then determined based on the above information. In cases where the above inputs and assumptions are considered and it is noted that the borrower will not have sufficient resources to pay the intercompany loan, this is viewed as a significant increase in credit risk and the probability of default is assessed as being high. Where the borrower is considered to have sufficient resources to repay the intercompany loan, the intercompany loan is assessed to carry a low credit risk as the probability of default is low.

The loans are considered to be credit impaired in cases where the borrower has significant financial difficulty or where the borrower has defaulted on payments and it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Financial guarantee liabilities

ACT Healthcare Assets (Pty) Ltd provided a financial guarantee to Shelsley Chemical (Pty) Ltd, the seller of Activo Healthcare Assets (Pty) Ltd (formerly Exeltis SA) Group in the event that Activo Health (Pty) Ltd is liable and unable to pay the contingent consideration and deferred payment to the seller.

The Company monitors the performance of Activo Healthcare Assets against the performance milestones set out in the sale of shares agreement to determine whether Activo Health will be liable for the contingent consideration. It also assesses the financial position of Activo Health to determine if the entity will be able to meet its obligation.

The maximum exposure to credit risk in relation to the financial guarantee amounts to R1.5 million, which represents the fair value of the premiums charged for the contingent consideration of R105 million and the deferred payment of R15 million relating to the acquisition.

The financial guarantee is provided as a principal obligation on behalf of Activo Health in the event of default.

Expected credit losses (ECL) assessment for financial guarantee contracts

The Company assumes that there is a significant increase in credit risk when Activo Health’s financial position deteriorates significantly.

The Company considers the financial guarantee contract to be credit impaired when Activo Health is unlikely to repay the contingent liability and deferred payment to Shelsley Chemical in full.

The company determines the probability of default of the contingent consideration and deferred payment using internal information available.

As at the end of the reporting period the probability of default by Activo Health is low, thus no expected credit loss allowance is recognised.

(iv) 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 from a Group and Company level. Due to the dynamic nature of the underlying businesses, management ensures flexibility in funding by keeping committed credit facilities available.

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

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

	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	More than 1 year but not exceeding 2 years R'000	More than 2 year but not exceeding 5 years R'000	Exceeding 5 years	Total R'000
Year ended 30 June 2022 – Group								
Trade and other payables (Note 8.6)	(464 357)	(1 358)	(100)	(127 083)	–	–	–	(592 898)
Lease liability (Note 8.10)	(17 199)	(16 282)	(13 262)	(21 867)	(70 670)	(57 120)	–	(196 400)
– Contractual undiscounted payments	(20 894)	(19 752)	(16 577)	(25 348)	(80 942)	(62 003)	–	
– Interest	3 695	3 470	3 315	3 481	10 272	4 883	–	
Borrowings (Note 8.11)	(30 000)	(30 000)	(30 000)	(30 000)	(531 082)	–	–	(651 082)
– Contractual undiscounted payments	(39 392)	(39 352)	(39 029)	(39 135)	(558 823)	–	–	
– Interest	9 392	9 352	9 029	9 135	27 741	–	–	
Contigent consideration	–	–	–	–	(75 798)	–	–	(75 798)
– Contractual undiscounted payments	–	–	–	–	(90 500)	–	–	
– Interest	–	–	–	–	14 702	–	–	
Deferred payment	–	(14 139)	–	–	–	–	–	(14 139)
– Contractual undiscounted payments	–	(15 000)	–	–	–	–	–	
– Interest	–	861	–	–	–	–	–	
Year ended 30 June 2021 – Group								
Trade and other payables (Note 8.6)	(416 361)	(11 884)	–	–	–	–	–	(428 245)
Lease liability (Note 8.10)	(14 610)	(15 137)	(16 637)	(17 380)	(49 185)	(107 168)	–	(220 117)
– Contractual undiscounted payments	(20 276)	(20 178)	(21 044)	(21 142)	(61 316)	(119 828)	–	
– Interest	5 666	5 041	4 407	3 762	12 131	12 660	–	
Borrowings (Note 8.11)	(30 000)	(30 000)	(30 000)	(30 000)	(120 000)	(535 785)	–	(775 785)
– Contractual undiscounted payments	(41 327)	(41 141)	(40 975)	(41 232)	(163 814)	(571 939)	–	
– Interest	11 327	11 141	10 975	11 232	43 814	36 154	–	
Year ended 30 June 2020 – Group								
Trade and other payables (Note 8.6)	(336 232)	(19 033)	–	–	–	–		(355 265)
Lease liability (Note 8.10)	(26 849)	(23 710)	(23 471)	(22 825)	(41 381)	(49 184)	(117 711)	(278 282)
– Contractual undiscounted payments	(34 603)	(30 743)	(29 966)	(29 091)	(60 256)	(61 316)	(130 307)	
– Interest	7 754	7 033	6 495	6 266	18 875	12 132	12 596	
Borrowings (Note 8.11)	(30 000)	(30 000)	(30 000)	(30 000)	(90 000)	(176 311)		(386 311)
– Contractual undiscounted payments	(35 699)	(35 695)	(35 640)	(38 599)	(111 608)	(216 161)		
– Interest	5 699	5 695	5 640	8 599	21 608	39 850		

(v) Capital risk management

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

Consistent with others in the industry, the Group and 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.

During 2022, the Group's and Company's strategy, which was unchanged from 2021, was to maintain the gearing ratio within 0% to 15%.

The financial condition to the Nedbank facility is for the Group to ensure that net debt to EBITDA in respect of any relevant period shall not exceed 2.5:1 times and Interest cover in respect of any relevant period shall not be less than 4:1.

	2022 R'000	**2021 R'000**	**2020 R'000**
Net debt	518 044	580 111	210 565
Non-current borrowings	531 082	655 785	266 311
Current borrowings	120 000	120 000	120 000
Bank overdraft	2 350	–	–
Less cash and cash equivalents	(135 388)	(195 674)	(175 746)
Total equity	3 486 569	3 295 483	3 137 322
EBITDA	1 071 703	1 061 699	885 756
Interest expense	76 403	58 475	77 826
Net debt to equity ratio	15%	18%	7%
Net debt to EBITDA	0.48:1	0.55:1	0.43:1
Interest cover	14.03:1	18.16:1	11.38:1

4. **BUSINESS COMBINATION**

a) Summary of acquisition – 2022

ACT Healthcare Assets (Pty) Ltd through its subsidiary, Activo Health Proprietary Limited, entered into a sale of shares agreement with Shelsley Chemicals Proprietary Limited to acquire 100% of the shares in Activo Healthcare Assets Proprietary Limited (previously Exeltis SA Proprietary Limited), effective 1 August 2021.

Activo Healthcare Assets Proprietary Limited is the holding company of Forrester Pharma Proprietary Limited, which is involved in the marketing, selling and distribution of pharmaceutical products in South Africa, Namibia and Botswana. The company owns a number of registered legal rights to manufacture and distribute specific medicine molecules and/or brands and have the right to a substantial pipeline of dossiers in the process of being registered with the South African Health Products Regulatory Authority (SAHPRA).

The acquisition is consistent with the Group's growth objectives in the healthcare sector and will strengthen Activo Health Proprietary Limited's product offering to the pharmaceutical market.

Details of the purchase considerations, net assets acquired and goodwill are as follows:

Figures in R'000	
Purchase consideration	
Cash	190 000
Deferred payment	22 207
Contingent consideration	68 016
Total purchase consideration	**280 223**

The cash consideration was R190 million, which is made up of the following:

- R150 million loan granted to Shelsley Proprietary Limited in the prior financial year, which was applied against the purchase price (Refer to Note 13); and
- R40 million paid in cash on acquisition date.

The deferred consideration was R25 million which is made up of the following:

- R10 million deferred to 31 December 2021; and
- R15 million deferred to 31 December 2022.

Refer to Note 34 for the reconciliation of the movement for the year.

The contingent consideration is R90.5 million, payable December 2023. Refer to Note 33 for details.

Activo Healthcare Assets has been accounted for using the acquisition method of accounting, which requires that the assets and liabilities be measured at fair value as at 1 August 2021.

Figures in R'000		**Total August 2021**
Fair value of 100% net asset value at acquisition (assets)		129 224
Property, plant and equipment	44	
Intangible assets – Fair value	179 269	
Deferred tax on fair value adjustment	(44 290)	
Deferred tax asset	6 639	
Trade and other receivables	205	
Cash and cash equivalents	1 172	
Trade and other payables	(5 195)	
Contingent liability (Refer Note 2(f))	(8 620)	
Consideration for Activo Healthcare Assets Group		280 223
Goodwill arising from acquisition*		150 999

* The goodwill is attributable to the Activo Healthcare Assets Group's substantial pipeline of first-to-market generic molecules, which will be realised only with the expertise and resources within the Activo CGU, to strengthen the pharmaceutical offering of the existing Activo CGU – the goodwill arising has therefore been allocated to the Activo cash generating unit. It will not be deductible for tax purposes.

Revenue and profit contribution

The acquired business contributed revenue of R81.3 million and net profit of R10.5 million to the Group for the period 2 August 2021 to 30 June 2022

If the acquisition had occurred on 1 July 2021, consolidated pro-forma revenue and profit for the year ended 30 June 2022 would have been R88.7 million and R11.5 million respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- The additional depreciation and amortisation that would have been charged assuming the fair value adjustment to intangible assets had applied from 1 July 2021, together with the consequential tax effects.

Acquisition-related costs:

Acquisition-related costs of R2.2 million are included in other expenses in the statement of profit and loss and in operating cash flows in the statement of cash flows.

b) Purchase Considerations-cash outflow

Figures in R'000	2022	2021
Outflow of cash to acquire subsidiary, net of cash acquired		
Loan applied against the purchase price	150 000	–
Cash consideration	**50 000**	**170 000**
Less: Cash balances acquired		
Cash	(1 172)	(84 791)
Net outflow of cash-investing activities	**48 828**	**85 209**

5. PROPERTY, EQUIPMENT AND RIGHT USE OF ASSETS

5.1 Property and Equipment

Figures in R'000	Land and building	Leasehold improve-ments	Equipment	Motor vehicles	Furniture and fittings	Computer equipment	Total
Balance as at 1 July 2019							
At Cost	193 183	–	99 034	18 869	131 383	267 937	710 406
Accumulated depreciation	(6 461)	–	(43 849)	(8 683)	(67 004)	(167 851)	(293 848)
Net book value at 1 July 2019	**186 722**	**–**	**55 185**	**10 186**	**64 379**	**100 086**	**416 558**
Movements for the year ended 30 June 2020							
Additions	79 253	–	4 676	5 311	14 028	33 701	136 969
Depreciation	(4 601)	–	(8 552)	(3 626)	(14 381)	(31 354)	(62 514)
Disposal	–	–	(12 230)	(220)	(1 839)	(4 767)	(19 056)
Property and Equipment at the end of the year	261 374	–	39 079	11 651	62 187	97 666	471 957
Closing balance at 30 June 2020							
At Cost	271 603	–	97 653	22 778	141 818	267 785	801 637
Accumulated depreciation	(10 229)	–	(58 574)	(11 127)	(79 631)	(170 119)	(329 680)
Net book value	**261 374**	**–**	**39 079**	**11 651**	**62 187**	**97 666**	**471 957**

Figures in R'000	Land and building	Leasehold improve-ments	Equipment	Motor vehicles	Furniture and fittings	Computer equipment	Total
Movements for the year ended 30 June 2021							
Additions	2 000	–	93 796	7 215	22 152	159 462	284 625
Acquisitions through business combinations	63 717	–	1 909	–	2 649	16 044	84 319
Depreciation	(5 587)	–	(10 092)	(4 545)	(15 609)	(42 504)	(78 337)
Disposals	–	–	(67 497)	(463)	(1 181)	(2 854)	(71 995)
Reclassifications	–	–	(470)	–	1 342	(872)	–
Property and Equipment at the end of the year	**321 504**	**–**	**56 725**	**13 858**	**71 540**	**226 942**	**690 569**
Closing balance at 30 June 2021							
At Cost	337 824	–	114 521	28 536	153 786	413 750	1 048 417
Accumulated depreciation	(16 320)	–	(57 796)	(14 678)	(82 246)	(186 808)	(357 848)
Net book value	**321 504**	**–**	**56 725**	**13 858**	**71 540**	**226 942**	**690 569**
Movements for the year ended 30 June 2022							
Additions	6 049	14 852	19 980	2 216	22 359	41 031	106 487
Acquisitions through business combinations	–	–	44	–	–	–	44
Depreciation	(6 886)	(212)	(12 352)	(5 397)	(16 623)	(45 829)	(87 299)
Disposals	(4 106)	–	(1 038)	(125)	(3 913)	(3 001)	(12 183)
Property and Equipment at the end of the year	**316 561**	**14 640**	**63 359**	**10 552**	**73 363**	**219 143**	**697 618**
Closing balance at 30 June 2022							
At Cost	338 200	14 852	126 881	29 382	160 040	429 890	1 099 245
Accumulated depreciation	(21 639)	(212)	(63 522)	(18 830)	(86 677)	(210 747)	(401 627)
Net book value	**316 561**	**14 640**	**63 359**	**10 552**	**73 363**	**219 143**	**697 618**

5.2 **Right of use assets**

Figures in R'000	
Year ended 30 June 2020	
Opening carrying amount	290 136
Additions	18 182
Disposals	(1 146)
Modifications	(411)
Depreciation charge	(71 781)
Closing carrying amount at 30 June 2020	**234 980**
At 30 June 2020	
At cost	384 264
Accumulated depreciation	(149 284)
Closing carrying amount	**234 980**
Year ended 30 June 2021	
Opening carrying amount	234 980
Additions	21 250
Modifications/Disposals	(12 723)
Depreciation charge	(66 583)
Closing carrying amount at 30 June 2021	**176 924**
At 30 June 2021	
At cost	381 710
Accumulated depreciation	(204 786)
Closing carrying amount	**176 924**
Year ended 30 June 2022	
Opening carrying amount	176 924
Acquired through business combination	1 222
Additions	9 450
Modifications	32 268
Disposals	(8 613)
Depreciation charge	(63 287)
Closing carrying amount at 30 June 2022	**147 964**
At 30 June 2022	
At cost	387 353
Accumulated depreciation	(239 389)
Closing carrying amount	**147 964**

6. **INVESTMENT PROPERTY**

6.1 **Balances at year end and movements for the year**

Figures in R'000	**2022**	**2021**	**2020**
Reconciliation for the year			
Balance at the beginning of the year at fair value	7 765	15 418	15 418
Fair value adjustment	(134)	(7 653)	–
Balance at the end of the year at fair value	**7 631**	**7 765**	**15 418**

6.2 **Fair value measurements**

Investment property consists of land situated at portion 108 (a portion of portion 27) of the farm Weltevreden 202 Roodepoort, South Africa. It is held for capital appreciation and is not occupied by the Group.

The valuation was prepared by an independent valuer, J van der Hoven in July 2022, a property practitioner from De Hoven Proprietary Limited. J van der Hoven obtained his Post-Graduate Master's Degree in Architecture (recognised by Royal Institute of British Architects (RIBA) and Architects Registration Board (ARB) and has more than 10 years' experience as a property practitioner.

The fair value of investment property was determined based on comparable sales method

Pursuant to the expiry of the current zoning rights (Business 4 and Residential 3 rights) effective 24 May 2021, an application has been submitted to reduce the current approved zoning rights to Parking and a private Sport Recreation facility, which was granted on 15 June 2022. Based on the 2022 property valuation report, a slight decrease in fair value was noted and a fair value loss was recognised accordingly.

6.3 **Recognised fair value measurements**

Fair value hierarchy

The following hierarchy is used to classify financial and non-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 1 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. 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

Specific valuation techniques used to value non-financial instruments include:

- the fair value of the investment property is determined by using the comparable sales method.

The investment property has been classified as a level 3 non-financial instrument, i.e. the inputs are not based on observable market data. The carrying amount of the investment property approximates the fair value.

Group fair value measurements using significant unobservable inputs (level 3):

Figures in R'000	**Investment property**
Opening balance	7 765
Acquisitions through business combinations	–
Additions	–
Fair value losses	(134)
Closing balance	**7 631**

Valuation inputs and relationships to fair value

The fair value of the investment property is derived by an external property valuer using the comparable sales method. In applying this approach, the valuer has selected other properties that have similar risk, growth and cash-generating profiles. Management reviews the valuation performed by the external valuer and is satisfied that the inputs used by the external property valuer are reasonable. The investment property is valued on an annual basis.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value at 30 June 2022 R'000	Unobservable inputs	Input value used	Sensitivity of unobservable inputs on profit and loss
Investment property	7 631	Price per block building rights per square metre	R445	If the fair value per square metre increased by 10% then the value of the property would increase by R763 100 in profit or loss. If the fair value per square metre decreased by 10% then the value of the property would decrease by R763 100 in profit or loss.

7. INTANGIBLE ASSETS

Figure in R'000	Brands and intel-lectual property	Pharma-ceutical dossiers**	Internally developed computer software	Computer software	Goodwill	Customer relation-ships	Total
Reconciliation for the year ended 30 June 2020							
At 30 June 2019							
At cost	47 873	286 365	754 336	477 803	1 399 808	303 452	3 269 637
Accumulated amortisation	(39 934)	–	(166 416)	(198 180)	–	(187 144)	(591 674)
Accumulated impairment	–	–	(47 000)	(26 277)	(48 674)	–	(121 951)
Closing carrying amount 30 June 2019	**7 939**	**286 365**	**540 920**	**253 346**	**1 351 134**	**116 308**	**2 556 012**
Movements for the year ended 30 June 2020							
Additions	–	–	203 318	80 713	22 216	–	306 247
Amortisation	(841)	(14 454)	(68 854)	(41 927)	–	(38 077)	(164 153)
Impairment loss recognised in profit or loss	–	–	–	(2 919)	–	–	(2 919)
Carrying value at 30 June 2020	**7 098**	**271 911**	**675 384**	**289 213**	**1 373 350**	**78 231**	**2 695 187**
At 30 June 2020							
At cost	47 873	286 365	957 654	535 312	1 422 024	303 452	3 552 680
Accumulated amortisation	(40 775)	(14 454)	(235 270)	(216 903)	–	(225 221)	(732 623)
Accumulated impairment	–	–	(47 000)	(29 196)	(48 674)	–	(124 870)
Closing carrying amount 30 June 2020	**7 098**	**271 911**	**675 384**	**289 213**	**1 373 350**	**78 231**	**2 695 187**

Figure in R'000	Brands and intellectual property	Pharmaceutical dossiers**	Internally developed computer software	Computer software	Goodwill	Customer relationships	Total
Movements for the year ended 30 June 2021							
Acquisitions through business combinations*	–	–	7 230	–	34 918	65 017	107 165
Additions	–	12 379	181 916	14 907	–	–	209 202
Amortisation	(806)	(16 800)	(86 818)	(60 477)	–	(30 153)	(195 054)
Impairment loss recognised in profit or loss***	–	–	(6 093)	(35 485)	(771)	–	(42 349)
Reversal of impairment loss recognised in profit or loss	–	–	39 167	–	–	–	39 167
Disposals	–	(1 177)		(2 482)	–	–	(3 659)
Write-off	–	–	(26 793)	–	–	–	(26 793)
Carrying value at 30 June 2021	**6 292**	**266 313**	**783 993**	**205 676**	**1 407 497**	**113 095**	**2 782 866**
At 30 June 2021							
At cost	47 873	297 566	1 114 938	547 743	1 456 942	368 469	3 833 531
Accumulated amortisation	(41 581)	(31 253)	(317 019)	(277 386)	–	(255 374)	(922 613)
Accumulated impairment	–	–	(13 926)	(64 681)	(49 445)	–	(128 052)
Closing carrying amount 30 June 2021	**6 292**	**266 313**	**783 993**	**205 676**	**1 407 497**	**113 095**	**2 782 866**
Movements for the year ended 30 June 2022							
Acquisitions through business combinations*	–	179 269	–	–	150 999	–	330 268
Additions	–	8 898	152 280	36 025	–	–	197 203
Amortisation	(806)	(37 201)	(111 782)	(47 558)	–	(33 922)	(231 269)
Disposals	–	(1 219)	–	(878)	–	–	(2 097)
Write-off	–	(635)	–	–	–	–	(635)
Carrying value at 30 June 2022	**5 486**	**415 425**	**824 491**	**193 265**	**1 558 496**	**79 173**	**3 076 336**
At 30 June 2022							
At cost	47 873	483 879	1 267 220	582 916	1 607 941	368 469	4 358 298
Accumulated amortisation	(42 387)	(68 454)	(428 803)	(324 970)	–	(289 296)	(1 153 910)
Accumulated impairment	–	–	(13 926)	(64 681)	(49 445)	–	(128 052)
Closing carrying amount 30 June 2022	**5 486**	**415 425**	**824 491**	**193 265**	**1 558 496**	**79 173**	**3 076 336**

* The recognition of goodwill (R150.9 million) and pharmaceutical dossier (R179.3 million) is as a result of the business combinations in the current financial year.

(The recognition of goodwill (R34.9 million) and customer relationships (R65 million) is as a result of the business combinations in the 2021 financial year).

** Pharmaceutical dossiers relate to a set of documents that contains all the technical data (administrative, quality, non-clinical and clinical) of a pharmaceutical product in order to promote, market, sell, import and distribute the product in a specific territory.

*** During the 2021 financial year an impairment loss was recognised for Schema6 (R6.1 million) due to no clients using the system, as well as IFM system (R35.5 million) due to a reduction in expected future cash flows. An impairment loss in respect of previously recognised goodwill on the acquisition of Workcare Health to the value of R771 000 was incurred in 2020 year, as the company is incurring losses and the recoverability of the goodwill cannot be substantiated.

A summary per CGU of the goodwill allocation is presented below:

Figures in R'000	2022	2021	2020
Healthcare administration SA CGU	**493 363**	**493 363**	**459 216**
Medscheme – healthcare administration	274 972	274 972	274 972
Medscheme Group – health risk management**	104 155	89 298	89 298
Aid for AIDS Management – healthcare administration	23 490	23 490	23 490
Allegra – healthcare IT support	1 268	1 268	1 268
AfroCentric Distribution Services – healthcare marketing support	835	835	835
Klinikka – medical equipment supplier	2 435	2 435	2 435
Wellness Odyssey – healthcare wellness days**	–	14 857	14 857
Tendahealth – healthcare insurance broker	1 162	1 162	1 162
Scriptpharm – chronic scripts claim	2 699	2 699	2 699
Essential Group – healthcare insurance	9 333	9 333	9 333
Workcare – healthcare administration	–	–	771
AfroCentric Integrated Corporate Solutions Group – healthcare administration	38 096	38 096	38 096
DENIS Group	34 918	34 918	–
Healthcare Africa CGU	**15 535**	**15 535**	**15 535**
Medscheme Mauritius – local administration	4 969	4 969	4 969
Medscheme Mauritius – international administration	10 566	10 566	10 566
Healthcare Retail SA CGU	**1 049 598**	**898 599**	**898 599**
Pharmacy Direct, Curasana and Glen Eden	473 954	473 954	473 954
Activo and Activo Healthcare Assets Group*	575 644	424 645	424 645
Total	**1 558 496**	**1 407 497**	**1 373 350**

* The movement in the current year relates to the Goodwill recognised on the acquisition of Activo Healthcare Assets Group effective 1 August 2021. Refer to Note 4 for further details

** During the year, management reorganised the operational and reporting structure of the Wellness Odyssey business, to fall within the integrated healthcare offerings of the Medscheme SA (Administration and Managed healthcare) CGU. This resulted in Wellness Odyssey goodwill being reallocated to the Medscheme SA CGU

Management determines the recoverable amount of Cash Generating Units (CGUs) as being the higher of fair value less costs to sell 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 CGU 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 as well as business-specific expectations.

Assumptions used in the determination of the recoverable amount are as follows:

- The estimated revenues to be earned from the use of the assets;
- The forecast period over which those revenues are projected;
- An average growth rate;
- The pre-tax discount rate that takes into account the yield on government bonds, Beta and a market risk premium;
- Risk adjustment factors used in deriving an appropriate discount rate applied to future estimated cash flows;
- The rate on government bonds (risk-free rate) of 10.50% as at 30 June 2022 (30 June 2021: 7.25%; 30 June 2020:7.32%);
- A market risk premium of 7.0% (2021: 7.8%; 2020: 7.7%) is justified as the overall risk is to the downside; and
- The Beta (ß) is 0.464 as at 30 June 2022 (30 June 2021: 0.91; 30 June 2020:0.92).

The inputs above were adjusted for geographical and entity specific risk.

The following table sets out the key assumptions for the CGUs that management considers the most significant to the group

Figures in R'000	Recoverable amount	Excess of recoverable amount over carrying value	Discount rate	Forecast period	Average growth rate	Perpetuity growth rate
2020						
Medscheme Group – admin and managed care	4 746 798	4 323 162	13,16%	5 years	6%	6%
Activo Group	941 072	477 416	13,16%	5 years	7%	7%
Pharmacy Direct, Curasana and Glen Eden	1 243 246	372 633	13,16%	5 years	7%	7%
2021						
Medscheme Group – admin and managed care	5 010 916	4 495 569	12,67	5 years	5%	5%
Activo Group	1 488 160	506 485	12,67	5 years	7%	7%
Pharmacy Direct, Curasana and Glen Eden	1 237 827	420 808	12,67	5 years	7%	7%
2022						
Medscheme Group – admin and managed care	5 391 550	4 737 912	12,42	5 years	6%	5%
Activo Group	1 646 909	139 171	12,78	5 years	15%	6%
Pharmacy Direct, Curasana and Glen Eden	916 936	131 678	12,78	5 years	15%	6%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used in determining values
Average growth rate (%)	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development specifically taking into account the impact that the COVID-19 pandemic is expected to have on future earnings noted below: ***Medscheme – admin and managed care:*** • Business is expected to continue steadily, with membership growth expected to be linked to muted economic growth • Management has embarked on effective cost savings initiatives through early investment in systems development. This increased IT capacity has now been applied to greater scale and through improved procedural efficiencies. • The Group will continue with system renewals and upgrades to explore better and more cost efficient ways in servicing and engaging its customers/members. • These programmes are expected to enable the Group to achieve 6% growth. ***Activo, Pharmacy Direct, Curasana and Glen Eden:*** • Business is expected to see growth,with emerging opportunities in both private and public sectors. • Recovery from a low 2023 base is expected as automation efficiencies have been introduced during the current year through Robotic Process Automation in Pharmacy Direct, expected to reduce costs and increase servicing efficiencies in the business. • During the current year, the online e-commerce platform was formally launched to introduce a new source of sales, with a lower cost base than the traditional sales channel. This is expected to enhance the growth in this cluster going forward. • During the current year there has been an uptake in the Oncology market sales as a result of the first-to-market molecules pipeline of Forrester Pharma that has been brought to marketability during the year. • The growth trends are expected to continue in the forecast period, resulting in a growth rate of 15% being applied.
Discount rate (%)	Discount rate the company is expected to pay on average to all its security holders to finance its assets which reflects specific risks to the relevant CGU.

Sensitivity analysis: impact of possible changes in key assumptions (growth rate and discount rate) on the recoverable amount – 30 June 2022

		Discount rate	Growth rate Worst case R'000 14%	Base case R'000 15%	Best case R'000 16%
Pharmacy Direct, Curasana and Glen Eden	Worst case	14,02%	690 671	776 508	840 725
	Base case	12,78%	801 094	916 936	1 003 838
	Best case	11,42%	968 473	1 139 596	1 269 759
Activo Group	Worst case	14,02%	1 220 691	1 389 900	1 604 171
	Base case	12,78%	1 420 485	1 646 909	1 945 541
	Best case	11,42%	1 723 603	2 054 760	2 520 796

If the growth rate for the Pharmacy Direct, Curasana and Glen Eden CGU reduces by 4.7%, the recoverable amount will equal the carrying value.

If the growth rate for the Activo Group CGU reduces by 2.03%, the recoverable amount will equal the carrying value.

Sensitivity analysis: impact of possible changes in key assumptions (growth rate and discount rate) on the recoverable amount – 30 June 2021

		Discount rate	Growth rate Worst case R'000 Medscheme: 4% PD, CS, GE & Activo: 6%	Base case R'000 Medscheme: 5% PD, CS, GE & Activo: 7%	Best case R'000 Medscheme: 6% PD, CS, GE & Activo: 8%
Medscheme	Worst case	14,17%	3 776 026	4 190 091	4 705 489
	Base case	12,67%	4 430 384	5 010 916	5 765 509
	Best case	11,80%	4 927 599	5 656 064	6 635 900
Pharmacy Direct, Curasana and Glen Eden	Worst case	14,05%	870 337	995 689	1 162 501
	Base case	12,67%	1 050 255	1 237 827	1 505 721
	Best case	11,80%	1 208 985	1 463 909	1 853 148
Activo Group	Worst case	14,17%	1 052 689	1 170 616	1 325 470
	Base case	12,67%	1 295 781	1 488 160	1 761 238
	Best case	11,80%	1 499 380	1 769 765	2 180 565

Sensitivity analysis: impact of possible changes in key assumptions (growth rate and discount rate) on the recoverable amount – 30 June 2020

		Discount rate	Growth rate Worst case R'000 Medscheme: 4,5% PD, CS, GE & Activo: 6%	Base case R'000 Medscheme: 5,5% PD, CS, GE & Activo: 7%	Best case R'000 Medscheme: 6,5% PD, CS, GE & Activo: 8%
Medscheme	Worst case	14,68%	3 569 114	3 960 039	4 446 512
	Base case	13,16%	4 196 305	4 746 798	5 462 565
	Best case	13,29%	4 667 372	4 134 079	5 357 702
Pharmacy Direct, Curasana and Glen Eden	Worst case	14,68%	666 139	754 390	869 052
	Base case	13,16%	807 955	941 072	1 125 768
	Best case	13,29%	793 489	921 544	1 097 996
Activo Group	Worst case	14,68%	901 073	993 833	1 113 273
	Base case	13,16%	1 095 792	1 243 246	1 446 444
	Best case	13,29%	1 075 709	1 216 888	1 410 066

(i) Impairment assessment

During the period under review, management embarked on a process of assessing the intangible assets for potential impairment. No impairments were identified for the period under review.

In the prior period, impairment losses were recognised for the following internally generated systems:

- R6.1 million in respect of the Schema6 system – an impairment has been recognised as there are no expected cash flows from the system, resulting in the recoverable amount not being able to be substantiated.
- R35.5 million in respect of the IFM system due to a reduction in expected future cash flows. AfroCentric has been notified by FICO that the support on the IFM system came to an end at the end of March 2022, resulting in the system not being available for continued use. As a result of this, cash flows generated from the schemes for use of the Fraud Management Software (IFM system) ceased from January 2022.

8. FINANCIAL INSTRUMENTS

8.1 Financial assets by category

Financial assets

Figure in R'000	At fair value through profit or loss	At amortised cost
Year ended 30 June 2022		
Investment in holding company (Note 8.8)	8 780	–
Other financial assets (Note 13)	65 013	10 723
Loan to holding company (Note 8.7)	–	50 370
Trade and other receivables excluding prepayments (Note 8.4)	–	691 259
Cash and cash equivalents (Note 8.5)	–	135 388
	73 793	**887 740**
Year ended 30 June 2021		
Investment in holding company (Note 8.8)	8 840	–
Other financial assets (Note 13)	178 905	–
Loan to holding company (Note 8.7)	–	42 555
Trade and other receivables excluding prepayments (Note 8.4)	–	453 441
Cash and cash equivalents (Note 8.5)	–	195 674
	187 745	**691 670**
Year ended 30 June 2020		
Investment in holding company (Note 8.8)	7 380	
Other financial assets (Note 13)	3 711	–
Loan to holding company (Note 8.7)	–	29 958
Trade and other receivables excluding prepayments (Note 8.4)	–	466 065
Cash and cash equivalents (Note 8.5)	–	175 746
	11 091	**671 769**

8.2 **Financial Liabilities by category**

Figure in R'000	At amortised cost R'000	Total R'000
Year ended 30 June 2022		
Lease liability (Note 8.10)	196 400	196 400
Borrowings (Note 8.11)	651 082	651 082
Trade and other payables excluding non financial liabilities (Note 8.6)	592 898	592 898
Bank overdraft (Note 8.5)	2 350	2 350
Year ended 30 June 2021		
Lease liability (Note 8.10)	220 117	220 117
Borrowings (Note 8.11)	775 785	775 785
Trade and other payables excluding non financial liabilities (Note 8.6)	425 909	425 909
Year ended 30 June 2020		
Lease liability (Note 8.10)	278 282	278 282
Borrowings (Note 8.11)	386 311	386 311
Trade and other payables excluding non financial liabilities (Note 8.6)	361 414	361 414

8.3 **Trade receivables**

Ageing of trade and other receivables

Figures in R'000	Current	30 days	60 days	90+ days	Total
June 2022					
Gross trade debtors	338 142	184 814	6 092	48 406	577 454
Expected credit losses	(3 324)	(1 666)	(500)	(3 407)	(8 897)
Net trade debtors	**334 818**	**183 148**	**5 592**	**44 999**	**568 557**
Other receivables	**5 357**	**–**	**–**	**5**	**5 362**
Gross sundry debtors	64 159	–	–	64 578	128 737
Expected credit losses	–	–	–	(19 094)	(19 094)
Net sundry debtors	**64 159**	**–**	**–**	**45 484**	**109 643**
Deposits	**7 306**	**–**	**–**	**391**	**7 697**
June 2021					
Gross trade debtors	272 971	78 484	15 859	38 603	405 917
Expected credit losses	(840)	(2 869)	(3 754)	(10 649)	(18 112)
Net trade debtors	**272 131**	**75 615**	**12 105**	**27 954**	**387 805**
Other receivables	**7 053**	**2 187**	**1 186**	**5 674**	**16 100**
Gross sundry debtors	21 846	2 330	1 790	34 936	60 902
Expected credit losses	–	–	–	(19 094)	(19 094)
Net sundry debtors	**21 846**	**2 330**	**1 790**	**15 842**	**41 808**
Deposits	**–**	**–**	**–**	**7 690**	**7 690**
June 2020					
Gross trade debtors	285 942	70 606	15 436	76 890	448 874
Expected credit losses	(2 556)	(230)	(497)	(31 979)	(35 262)
Net trade debtors	**283 386**	**70 376**	**14 939**	**44 911**	**413 612**
Other receivables	**2 837**	**3 278**	**–**	**–**	**6 115**
Sundry debtors	**38 629**	**615**	**–**	**–**	**39 244**
Deposits	–	–	–	7 094	7 094

Figures in R'000	2022	2021	2020
Disclosure of trade debtors			
Gross trade debtors	577 454	405 917	448 874
Loss allowance for trade receivables as above	(8 897)	(18 112)	(35 262)
Net trade debtors	**568 557**	**387 805**	**413 612**
Movement in the loss allowance for trade receivables are as follows:			
At the beginning of the year	18 818	35 262	30 041
(Decrease)/increase in loss allowance recognised in profit or loss during the year	(5 646)	2 009	5 221
Written off during the period	(4 275)	(18 453)	–
At the end of the year	**8 897**	**18 818**	**35 262**

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all the trade receivables.

To measure the ECL, trade receivables have been grouped based on the shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2022 and the corresponding historical credit losses experienced within this period. The historical loss rate has been adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the annual gross domestic product (GDP) rate, average prime lending rate, inflation rate and unemployment rate to be the most relevant factors and accordingly, adjusts the historical loss rates based on expected changes in these factors.

The Group has assessed the impact of the COVID-19 on expected further payments and deemed the impact to be immaterial for the following reason:

- The Group's debtors have been historically good payers with minimal provisions and write-offs experienced.
- The Group entities largest customers are medical aid schemes and payment is made within agreed payment period.
- The Group entities have continued operating under the respective lockdown regulation, contracts with customers have not been affected and contractual conditions have been met with no impact

8.4 **Trade and other receivables**

Figure in R'000	2022	2021	2020
Trade debtors	568 557	387 805	413 612
Sundry debtors**	109 643	41 808	39 244
Prepayments*	35 355	41 093	39 818
Deposits	7 697	7 690	7 094
Other receivables	5 362	16 100	6 115
Value added tax	–	38	38
Total trade and other receivables	**726 614**	**494 534**	**505 921**

* *Prepayments are not financial instruments but are included in trade and other receivables*
** *The sundry debtors balance relates to accrued revenue*

All receivables are expected to be realised within 12 months. The carrying amounts of all trade and other receivables approximate fair value due to the short-term nature of the receivables, hence the impact of discounting is immaterial.

8.5 **Cash and cash equivalents**

Figure in R'000	2022	2021	2020
Cash at bank and short-term deposits			
Ba2 – FNB Limited**	5 436	7 270	16 329
AA – Bank Windhoek Limited*	21 297	22 681	18 691
Ba2 – Nedbank Limited**	101 013	161 095	136 691
Ba2 – Standard Bank Limited**	51	2 248	1 800
BBB+ – Sasfin Limited*	–	–	93
zaA+ – Sanlam Limited*	–	–	2 142
Ba2 – Absa Bank Limited**	1 326	1 362	–
A3 – CitiBank Limited**	4 659	1 018	–
AA – Mercantile Bank Limited*	1 606	–	–
Total cash at bank and short term bank deposits	**135 388**	**195 674**	**175 746**
Bank overdrafts – Nedbank Limited**	**2 350**	**–**	**–**
Total overdrawn cash and cash equivalents included in current liabilities	**2 350**	**–**	**–**

* The ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

** Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 3 indicates a ranking in the lower end of that generic rating category

The ratings for Nedbank Limited, FNB Limited, Standard Bank Limited, Absa Bank Limited and CitiBank Limited were obtained from Moody's.

The ratings for Bank Windhoek Limited were obtained from Global Credit Rating Company.

The rating for Mercantile Bank Limited was obtained from Credit Rating Information and Services Limited.

The rating scores are based on the following broad investment grade definitions:

AA Very high credit quality relative to other issuers or obligations in the same country. Protection factors are very strong. Adverse changes in business, economic or financial conditions would increase investment risk although not significantly.

A Obligations rated A are considered upper-medium grade and are subject to low credit risk.

Baa Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess speculative characteristics.

Ba2 Obligations rated Ba2 are judged to have speculative elements and are subject to substantial credit risk.

Figure in R'000	2022	2021	2020
Cash	91 322	152 331	126 075
Bank overdrafts	(2 350)	–	–
Short term deposits*	44 066	43 343	49 671
	133 038	**195 674**	**175 746**

* Short-term deposits relate to cash at the year-end deposited into specific bank accounts.

8.6 **Trade and other payables**

Figures in R'000	2022	2021	2020
Trade payables*	302 049	272 030	234 145
Payroll creditors	46 335	48 174	19 727
Accruals	168 304	56 420	63 406
Shareholders for dividends	2 591	8 905	1 103
Other payables*	73 619	38 361	41 013
Inseta funding	–	–	1 982
Provisions	4 103	2 373	–
IBNR Provision	20 339	19 792	–
Total trade and other payables	**617 340**	**428 245**	**361 376**

* All trade and other payables are current and are expected to be settled within the next 12 months. The carrying values at the year-end approximate their fair values due to the short-term nature of the payables, hence the impact of discounting is immaterial

8.7 **Loans to holding company**

Figures in R'000	2022	2021	2020
Loans to holding company comprise the following balances:			
AfroCentric Investment Corporation Limited	50 370	42 555	29 958
Current Assets	–	–	29 958
Non– current assets	50 370	42 555	–

The loan with AfroCentric Investment Corporation Limited is unsecured, bears intereest at the prime lending rate and is payable in 5 years. The carrying value approximates fair value as the interest charged on the loan is market related.

8.8 **Investment in holding company**

Investment in holding company comprise the following balances:			
Investment held in Afrocentric Investment Corporation Limited by Afrocentric Health Management Services (Pty)Ltd			
1 999 999 shares @ 442 cents each	8 840	7 380	9 900
Fair value (loss)/gain	(60)	1 460	(2 520)
1 999 999 shares 439 cents each	**8 780**	**8 840**	**7 380**

8.9 **Recognised fair value measures**

Valuation process

The finance department of the Group performs the valuations of the investments for financial reporting purposes, including level 3 fair values (excluding the investment property). The team reports directly to the CFO. Discussions of the valuation processes and results are held between the CFO and Group Finance at year-end to determine the fair value of investments unless there is an indication of impairment which will result in a write off of the investment at that point in time.

Fair value hierarchy

The following hierarchy is used to classify financial and non-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 2022:

2022	**Level 1**	**Level 2**	**Level 3**
Investment in holding company	8 780	–	–
	8 780	**–**	**–**
2021			
Investment in holding company	8 840	**–**	**–**
	8 840	–	–
2020			
Investment in holding company	7 380	–	–
	7 380	**–**	**–**

Specific valuation techniques used to value financial and non-financial instruments include:

- the fair value of the investment in holding company is determined using the quoted market price on the Johannesburg Stock Exchange

8.10 **Lease Liability**

Figures in R'000	**2022**	**2021**	**2020**
Non-current liabilities	127 790	156 353	181 427
Current liabilities	68 610	63 764	96 855
	196 400	**220 117**	**278 282**

Movement in lease liabilities are as follows:

Figures in R'000	**June 2022**	**June 2021**	**June 2020**
At the beginning of the period	220 117	278 282	322 655
Lease liabilities recognised per IFRS 16	13 342	–	18 182
Acquired through business combinations	1 222	17 707	–
Modifications	32 268	(4 987)	(4 312)
Interest accrued	19 354	21 292	27 886
Rental payments made	(89 903)	(92 177)	(86 129)
Balance at the end of the year	**196 400**	**220 117**	**278 282**

The Group's incremental borrowing rate is utilised for the lease liabilities, being the Nedbank facility rate which is linked to JIBAR.

The Group's average lease term is 40.5 months.

8.11 **Borrowings**

Figures in R'000	**2022**	**2021**	**2020**
Nedbank facility (1 year +)	531 082	655 785	266 311
Nedbank facility (0 – 1 year)	120 000	120 000	120 000
	651 082	**775 785**	**386 311**
Classification of borrowings			
Amortised cost	651 082	775 785	386 311

Movement in borrowings are as follows:

	June 2022 R'000	**June 2021 R'000**	**June 2020 R'000**
At the beginning of the period	775 785	386 311	491 566
Borrowings acquired during the period	20 000	470 998	50 000
Interest accrued	46 295	30 699	41 319
Interest repaid	(46 295)	(30 699)	(41 319)
Capital repaid	(144 703)	(81 524)	(155 255)
Balance at the end of the year	**651 082**	**775 785**	**386 311**

The Nedbank facility's interest rate is linked to JIBAR. The full capital repayment is due at the end of the 5-year term. The R120 million current liability is based on management's expectation of the quarterly interest obligation and voluntary capital repayment.

Compliance with loan covenants

During the prior period, Nedbank issued a revolving loan facility totaling R900 million (of which R651 million has been utilised) to the Group of which amounts shall be applied to funding the working capital and general corporate requirements of the Group. The rate of interest on the loan for each interest period is the percentage rate per annum which is the aggregate of the applicable Margin and JIBAR.

The financial condition to the Nedbank facility is for the Group to ensure that net debt to EBITDA in respect of any relevant period shall not exceed 2.5:1 times and interest cover in respect of any relevant period shall not be less than 4:1 (refer to Note 3 (v)).

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Associated Fund Administrators Botswana Proprietary Limited is incorporated in Botswana. The Company performs administration services for medical schemes in Botswana, which enhances the Group's footprint outside of South Africa.

During the prior financial year, 9% was sold to decrease the Group's shareholding from 49% to 40%. At the end of the prior and current year the only investment in associates was Associated Fund Administrators Botswana Proprietary Limited.

Due to the Group's non-controlling interest in Associated Fund Administrators Botswana Proprietary Limited, it has no influence in aligning their reporting dates with the Group's. Management accounts were used to equity account this investment.

During the 2021 financial year, the Group acquired 49% shareholding in Warona Health Services Proprietary Limited.

Figures in R'000	**June 2022**	**June 2021**	**June 2020**
Carrying value of investment in associate	32 983	31 541	33 307
Carrying value of investment in joint venture	357	55	–
	33 340	**31 596**	**33 307**

	Reporting date	Number of shares held	Nature of relation-ship	Per-centage holdings	Opening carrying amount R'000	Share of after tax profit R'000	Dividends received R'000	Additions/ (disposals) R'000	30 June 2022 Closing carrying amount R'000
Associated Fund Administrators Botswana Proprietary Limited	30 September	3 408 218	Associate	40%	31 541	6 633	(5 191)	–	32 983
Warona Health Services Proprietary Limited	30 June	49	Joint Venture	49%	55	302	–	–	357
					31 596	6 935	(5 191)	–	33 340

	Reporting date	Number of shares held	Nature of relation-ship	Per-centage holdings	Opening carrying amount R'000	Share of after tax profit R'000	Dividends received R'000	Additions/ (disposals) R'000	30 June 2021 Closing carrying amount R'000
Associated Fund Administrators Botswana Proprietary Limited	30 September	3 408 218	Associate	40%	33 307	8 294	(3 292)	(6 768)	31 541
Warona Health Services Proprietary Limited	30 June	49	Joint Venture	49%	–	55	–	–	55
					33 307	8 349	(3 292)	(6 768)	31 596

	Reporting date	Number of shares held	Nature of relation-ship	Per-centage holdings	Opening carrying amount R'000	Share of after tax profit R'000	Dividends received R'000	Additions/ (disposals) R'000	30 June 2020 Closing carrying amount R'000
Associated Fund Administrators Botswana Proprietary Limited	30 September	4 175 067	Associate	49%	29 943	7 990	(4 626)	–	33 307
					29 943	7 990	(4 626)	–	33 307

Summarised financial information of Associated Fund Administrators Botswana Proprietary Limited

	June 2022 R'000	June 2021 R'000	June 2020 R'000
At 30 June			
Non-current assets (excluding intangible assets)	6 162	11 996	2 781
Intangible assets	180	320	520
Current assets	60 091	59 356	51 600
Total assets	**66 433**	**71 672**	**54 901**
Non-current liabilities	3 599	9 603	–
Current liabilities	18 770	15 869	11 443
Total liabilities	**22 369**	**25 472**	**11 443**
Net assets	**44 064**	**46 200**	**43 458**
Revenue	99 997	105 760	100 582
Profit or loss from continuing operations	16 722	18 970	16 305
Total comprehensive income attributable to ordinary shareholders	16 722	18 970	16 305
Net profit for the year	16 722	18 970	16 305

10. DEFERRED TAX

Figures in R'000	2022	2021	2020
Analysed in the statement of financial position, after offset of balances within companies, as follows;			
Deferred tax assets	109 925	149 763	151 407
Deferred tax liabilities	(275 220)	(310 340)	(326 341)
Net Deferred tax liabilities	**(165 295)**	**(160 577)**	**(174 934)**

On 23 February 2022, as part of the 2022 budget speech, the South African Minister of Finance announced that the corporate income tax rate applicable to companies will be reduced from 28 percent to 27 percent effective for financial years ending on or after 31 March 2023. It is therefore expected that this change will impact the Group and Company with effect from its financial year ending on 30 June 2023. The deferred tax liabilities and assets have therefore been measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period (30 June 2022) – which is 27%.

Categorised Gross deferred tax assets and liabilities, before offset of balances within companies, are as follows:

Figures in R'000	Capital allowances	Investment	Provisions	Prepay-ments	Assessed loss*	Business combi-nations	Other**	Total
Deferred tax assets								
Opening balance at 1 July 2019	–	–	37 802	–	12 839	–	100 970	151 611
(Charged)/credited to profit or loss	–	–	9 628	–	10 216	–	(20 048)	(204)
Closing balance at 30 June 2020	**–**	**–**	**47 430**	**–**	**23 055**	**–**	**80 922**	**151 407**
Deferred tax liabilities								
Opening balance at 1 July 2019	(130 194)	(556)	–	(3 802)	–	(107 985)	(96 173)	(338 710)
(Charged)/credited to profit or loss	(28 747)	556	–	574	–	10 449	29 537	12 369
Closing balance at 30 June 2020	**(158 941)**	**–**	**–**	**(3 228)**	**–**	**(97 536)**	**(66 636)**	**(326 341)**

Figures in R'000	Capital allowances	Investment	Provisions	Prepay-ments	Assessed loss*	Business combi-nations	Other**	Total
Deferred tax assets								
Opening balance at 1 July 2020	–	–	47 430	–	23 055	–	80 922	151 407
(Charged)/credited to profit or loss	–	–	(3 968)	–	(1 793)	–	(8 324)	(14 085)
Acquisition of subsidiary	–	–	23 547	–	401	–	220	24 168
Disposal of subsidiary	–	–	(765)	–	(10 963)	–	–	(11 728)
Closing balance at 30 June 2021	**–**	**–**	**66 244**	**–**	**10 700**	**–**	**72 818**	**149 762**
Deferred tax liabilities								
Opening balance at 1 July 2020	(158 941)	–	–	(3 228)	–	(97 536)	(66 636)	(326 341)
Credited/(charged) to profit or loss	14 112	–	(2 967)	(2 037)	–	13 083	11 106	33 297
Acquisition of subsidiary	(312)	–	–	1 404	–	(18 205)	(186)	(17 299)
Disposal of subsidiary	–	–	–	3	–	–	–	3
Closing balance at 30 June 2021	**(145 141)**	**–**	**(2 967)**	**(3 858)**	**–**	**(102 658)**	**(55 716)**	**(310 340)**
Deferred tax assets								
Opening balance at 1 July 2021	–	–	66 244	–	10 700	–	72 818	149 762
(Charged)/credited to profit or loss	–	–	(2 556)	–	(3 026)	–	(40 894)	(46 476)
Acquisition of subsidiary	–	–	–	–	6 639	–	–	6 639
Closing balance at 30 June 2022	**–**	**–**	**63 688**	**–**	**14 313**	**–**	**31 924**	**109 925**
Deferred tax liabilities								
Opening balance at 1 July 2021	(145 141)	–	(2 967)	(3 858)	–	(102 658)	(55 716)	(310 340)
Credited/(charged) to profit or loss	10 000	–	2 967	825	–	24 625	40 993	79 410
Acquisition of subsidiary	–	–	–	–	–	(44 290)	–	(44 290)
Closing balance at 30 June 2022	**(135 141)**	**–**	**–**	**(3 033)**	**–**	**(122 323)**	**(14 723)**	**(275 220)**

* As a result of the increase in operations, the companies will generate sufficient income which will be utilised against the assessed loss going forward.

** Other deferred tax liabilities consists of deferred tax arising from lease liabilities. Other deferred tax assets consists of deferred tax arising from right of use assets (2022: R29.9 million and 2021: R70.4 million), capital losses (2022: R2 million and 2021: R2 million) and income received in advance (2022: R3.5 thousand and 2021: R485.3 thousand).

11. INVENTORY

Figures in R'000	2022	2021	2020
Finished goods*	306 731	291 326	200 261
Merchandise – pharmaceutical**	125 033	133 190	99 590
Merchandise provisions	–	(2 953)	(2 000)
Inventory on hand at year-end	**431 764**	**421 563**	**297 851**

* The Finished goods balance consists of the inventory on hand net of the unearned fees relating to Single Exit Price (SEP) applied.

** Merchandise refers to pharmaceutical products that are on hand at year-end.

12. **CURRENT TAX ASSETS AND LIABILITIES**

Current tax assets ad liabilities comprise the following balances;

Figures in R'000	2022	2021	2020
Net current tax asset from all items being set off	–	–	30
Current tax assets that cannot be set off	27 267	31 485	25 426
Total current tax asset per the statement of financial position	**27 267**	**31 485**	**25 456**
Net current tax liabilities from all items being set off	–	–	–
Current tax liabilities that cannot be set off	(19 252)	(23 808)	(33 086)
Total current tax liabilities per the statement of financial position	**(19 252)**	**(23 808)**	**(33 086)**

13. **OTHER FINANCIAL ASSETS**

Figures in R'000	2022	2021	2020
Other financial assets comprise the following balances:			
Investments in Venture Capital Funds	8 394	8 394	3 711
Investments in Cell Captive	56 619	21 267	–
Short-term loan	–	149 244	–
Mauritius government bonds	10 723	–	–
	75 736	178 905	3 711
Non-current assets	75 736	29 661	3 711
Current assets	–	149 244	–
	75 736	**178 905**	**3 711**

The investment vehicle for the venture capital funds has the mandate of re-investing capital funds. The objective is to generate returns for the holder of shares in the form of dividends.

The total shareholding percentage is less than 20% and as such, no significant influence is exercised over the venture capital fund

The investments in cell captives relate to investments held in the Guardrisk cell captives as well as the Centriq cell captive acquired 1 September 2021.

These investments are classified as financial assets and are measured at fair value through profit and loss.

The short-term loan relates to an interest free loan granted to Shelsley Proprietary Limited in the prior financial year and was measured at fair value through profit and loss. The loan was applied against the purchase consideration for the acquisition of Activo Healthcare Assets Group

The Mauritius government bonds are held in a business model with the objective of collecting contractual cash flows, which consists of bi-annual interest receipts. Management's intention is to hold the bonds to maturity, at which point capital will be repaid. As such the bonds are measured at amortised cost. The Expected Credit Loss allowance is deemed immaterial as government bonds are risk free

Fair value hierarchy

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 1 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. 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.

Specific valuation techniques used to value financial instruments include:

- the fair value of the equity investments measured at fair value through profit and loss are determined based on a valuation of the net asset value attributable to the investment;
- the fair value of the short-term loan receivable is determined with reference to the market-related borrowing rate; and
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis and price earnings (PE) ratios.

The assets disclosed below have been classified as level 3 financial instruments, i.e. the inputs are not based on observable market data. The carrying amount of all assets in the table below approximates the fair value of the assets.

Group fair value measurements using significant unobservable inputs (level 3):

Figures in R'000	**Level 3**
Year ended 30 June 2022	
Unlisted investment	65 013
Year ended 30 June 2021	
Unlisted investment	29 661
Short-term loan	149 244
Year ended 30 June 2020	
Unlisted investment	3 711

The table below presents the movements for the year

	Financial assets at amortised cost	**Financial assets at fair value through profit and loss**			
Figure in R'000	**Mauritius government bonds**	**Investments in Venture Capital Funds**	**Investments in Cell Captive**	**Short-term loan**	**Fair value through profit and loss Total**
Balance at 1 July 2019	–	–	–	–	
Additions	–	3 711	–	–	
Balance at 30 June 2020	–	3 711	–	–	3 711
Acquisitions through business combinations	–	–	17 669	–	17 669
Additions	–	4 683	1 450	148 310	154 443
Fair value gains	–	–	2 148	934	3 082
Balance at 30 June 2021	–	8 394	21 267	149 244	178 905
Additions	10 577	–	29 605	–	29 605
Disposals*	–	–	–	(150 000)	(150 000)
Fair value gains	–	–	5 747	756	6 503
Finance income	146	–	–	–	–
Balance at 30 June 2022	**10 723**	**8 394**	**56 619**	**–**	**65 013**

* The short-term loan to Shelsley Proprietary Limited was applied against the purchase price of Activo Healthcare Assets Group in terms of the sale of shares agreement on effective date of acquisition

Valuation inputs and relationships to fair value

Investments in Cell Captives

The fair value of the equity investments measured at fair value through profit and loss are determined based on a valuation of the net asset value attributable to the investment, as management has deemed it representative of fair value.

Investments in Venture Capital Funds

The intention of the parties is to refund the value invested at the end of the investment term. The recoverable amount of the investments is therefore equal to the initial cost incurred.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value at 30 June 2022 R'000	Fair value at 30 June 2021 R'000	Unobservable inputs	Input value used 2022	Input value used 2021	Sensitivity of unobservable inputs on profit and loss
Investments in Cell Captives	56 619	21 267	Net asset value attributable to the investments	56 619 000	21 267 000	As the input is based on the net asset value of the cell captive (which is representative of fair value), no sensitivity analysis is deemed necessary.
Short-term loan receivable	–	149 244	Borrowing rate for a similar instruments at arms-length	5,75%	5,75%	If the borrowing rate decreased by 1 percent, the fair value will increase by R0 (2021: R123 258). If the borrowing rate increases by 1 percent, the fair value will decrease by R0 (2021: R216 942).
Investments in Venture Capital Funds	8 394	8 394	Cost of investment	8 394 000	8 394 000	As the input is based on the cost of the investment, no sensitivity analysis is deemed necessary.

Valuation process

The finance department of the Group performs the valuations of the investments for financial reporting purposes, including level 3 fair values. The team reports directly to the CFO. Discussions of the valuation processes and results are held between the CFO and Group Finance at year-end to determine the fair value of investments unless there is an indication of impairment which will result in a write off of the investment at that point in time

14. DISCONTINUED OPERATIONS

The Group disposed of the following subsidiaries in the prior financial year (ended 30 June 2021):

Subsidiary	Effective date of sale
• Medscheme Administrators Eswatini Proprietary Limited	31-May-21
• Medscheme Health Insurance Eswatini Limited	31-May-21
• Medscheme Zimbabwe Private Limited	30-Apr-21
• Afrocentric Integrated Health Risk Managers Proprietary Limited	02-Jul-20

Financial information relating to the discontinued operations for the prior period ended 30 June 2021 to the date of disposal are set out below:

14.1 Loss from discontinued operations excluding gains and losses from measurement or disposal are as follows:

Figures in R'000	2022	2021
Revenue	–	20 627
Gross profit	–	20 627
Other income	–	99
Depreciation	–	(135)
Right of use assets depreciation	–	(19)
Amortisation	–	(27)
Expected credit loss allowance	–	–
Interest on lease liabilities	–	(2)
Other expenses	–	(24 013)
Reclassification of foreign currency translation reserve	–	(10 401)
Loss before tax	–	(13 871)
Income tax	–	(137)
Loss for the year	**–**	**(14 008)**

14.2 Cash flows utilised in discontinued operations

Figures in R'000	2022	2021
Net cash flows generated from operating activities	–	2 553
Net cash flows generated utilised in investing activities	–	(3 862)
Net cash flows generated utilised in financing activities	–	(768)
		(2 077)
Proceeds on sale of subsidiaries	–	–
Less cash balances disposed	–	(2 835)
Net cash utilised in disposal of subsidiaries	**–**	**(2 835)**

14.3 Details of the sale of the subsidiaries

Figures in R'000	2022	2021
Consideration received or receivable:	–	–
Cash	–	–
Fair value of contingent consideration		
Total disposal consideration	–	–
Carrying amount of net assets sold	–	10 014
Loss on sale	**–**	**10 014**

The carrying amounts of assets and liabilities as at the date of sale were:

Figures in R'000	**Afrocentric Integrated Health Risk Managers**	**Medscheme Zimbabwe**	**Medscheme Adminis-trators Eswatini**	**Medscheme Health Insurance Eswatini**
Property, plant and equipment	–	–	235	–
Intangible assets	–	–	3	–
Deferred tax asset	77	149	10 854	722
Trade and other receivables	601	1 641	49	–
Current tax asset	130	–	330	–
Cash and cash equivalents	11	140	39	2 645
Loans to group companies	–	–	–	4 883
Total assets	**819**	**1 930**	**11 510**	**8 250**
Loans from group companies	–	–	4 883	–
Trade and other payables	188	904	–	3 109
Current tax liability	–	306	–	29
Provisions	274	–	–	–
Total liabilities	**462**	**1 210**	**4 883**	**3 138**
Net assets	**357**	**720**	**6 627**	**5 112**
Non-distributable reserves	–	–	(1 675)	–
Non-controlling interest	–	(3 775)	3 597	(949)
Carrying amount of net assets sold	**357**	**(3 055)**	**8 549**	**4 163**

15. ISSUED CAPITAL

Figures in R'000	**2022**	**2021**	**2020**
Authorised:	2	2	2
2000 ordinary shares	2	2	2
Issued:			
1000 ordinary shares	1	1	1
	1	1	1

16. SHARE PREMIUM

Figures in R'000	**2022**	**2021**	**2020**
Closing balance	**1 131 143**	**1 131 143**	**1 131 143**

The share premium arose as result of the acquisition of an effective 28.7% in ACT Healthcare Assets by Sanlam Limited for R703 million in the 2016 financial year.

17. OTHER RESERVES

Figures in R'000	Foreign currency translation reserve	Non-distributable reserve	Total reserves
Balance as at 30 June 2019	**(3 115)**	**2 179**	**(936)**
Other comprehensive income	(380)	(18)	(398)
Reclassification between reserves*	(11 138)	–	(11 138)
Balance as at 30 June 2020	**(14 633)**	**2 161**	**(12 472)**
Other comprehensive income	6 022	–	6 022
Disposal of non distributable reserve	–	(1 675)	(1 675)
Balance as at 30 June 2021	**(8 611)**	**486**	**(8 125)**
Other comprehensive income	1 519	–	1 519
Balance as at 30 June 2022	**(7 092)**	**486**	**(6 606)**

*The foreign currency translation reserve relating to Medscheme Mauritius Limited was reclassified from retained earnings to the foreign currency translation reserve.

18. NON-CONTROLLING INTEREST

Figures in R'000	2022	2021	2020
Balance at the beginning of the year	47 950	75 495	64 737
Dividend distributions (Note 29)	(16 055)	(52 500)	(21 354)
Non-controlling interest on disposal of subsidiaries	–	(1 078)	–
Non-controlling interest on change of ownership without loss of control	(381)	(4 989)	3 566
Share of net profit of subsidiaries	30 839	31 022	28 546
	62 353	**47 950**	**75 495**

Set below is summarised financial information for Medscheme (Namibia) Proprietary Limited, a subsidiary with non-controlling interest that is material to the group. The amounts disclosed are before inter-company eliminations.

Summarised statement of financial position of Medscheme (Namibia) Proprietary Limited

Figures in R'000	2022	2021	2020
Current assets	41 403	34 640	26 582
Current liabilities	9 590	10 216	7 744
Current net assets	**31 813**	**24 424**	**18 838**
Non-current assets	42 114	43 821	38 819
Non-current liabilities	4 093	5 938	5 071
Non-current net assets	**38 021**	**37 883**	**33 748**
Net assets	**69 834**	**62 307**	**52 586**
Medscheme (Namibia) Proprietary Limited contribution towards group accumulated non-controlling interest	18 123	16 200	13 672
Summarised statement of comprehensive income			
Revenue	119 734	113 233	110 263
Profit for the period	31 527	28 720	35 377
Total comprehensive income	**31 527**	**28 720**	**35 377**
Medscheme (Namibia) Proprietary Limited contribution towards group total comprehensive income allocated to non-controlling interest.	8 163	7 467	9 198
Medscheme (Namibia) Proprietary Limited contribution towards group dividends paid to non-controlling interest	6 240	4 940	9 230
Summarised cash flows			
Cash flows from operating activities	33 801	33 613	39 471
Cash flows from investing activities	483	(11 566)	823
Cash flows from/(utilised in) financing activities	(25 060)	(19 822)	(37 437)
Net increase/(decrease) in cash and cash equivalents	**9 224**	**2 225**	**2 857**

Transactions with non-controlling interests – 2022

On 1 April 2022 the Group acquired the remaining 49% in Tendahealth Proprietary Limited for R13.0 million.

The Group recognised a decrease in non-controlling interests of R0.38 million with a corresponding increase in equity attributable to owners of the parent.

The transaction did not result in a loss of control and was therefore accounted as an equity transaction, with the resultant adjustments being recognised directly in equity.

The effect on total equity during the year is summarised as follows:	Tendahealth R'000	Total R'000
Retained earnings	(12 642)	(12 642)
Non-controlling interest	(381)	(381)
Total equity	**(13 023)**	**(13 023)**

Transactions with non-controlling interests – 2021

On 1 August 2020 the group acquired the remaining 20% in Scriptpharm Risk Management Proprietary Limited for R20.0 million.

The group recognised a decrease in non-controlling interests of R4.9 million with a corresponding increase in equity attribuatble to owners of the parent.

The transactions listed above did not result in a loss of control and were therefore accounted for as equity transactions, with the resultant adjustments being recognised directly in equity.

The effect on total equity during the year is summarised as follows:	Scriptpharm Risk Management R'000	Total R'000
Retained earning	(15 011)	(15 011)
Non-controlling interest	(4 989)	(4 989)
Total equity	**(20 000)**	**(20 000)**

Transactions with non-controlling interests – 2020

During the current period, Medscheme Mauritius Limited (MTIUS) and Medscheme Holdings Proprietary Limited (Medscheme) entered into a transaction with Eagle Insurance Limited (MEI) for the acquisition of shares by MEI in MTIUS.

Prior to the transaction, Medscheme held 100% of the shares in MTIUS. On transaction date, MTIUS issued new shares for 15 million Mauritian Rupees, resulting in 30% of its shares being held by MEI.

Medscheme retained control of MTIUS after the transaction, holding 70% of the issued shares.

On transaction date, the Group recognised an increase in non-controlling interests of R 3.7 million and a profit resulting from the dilution amounting to Rl.9 million.

On 1 October 2019 the Group acquired the remaining 17.2% in iThrive Business Solutions Group for R9.6 million.

The Group recognised a decrease in non-controlling interests of R143 167 with a corresponding increase in equity attributable to owners of the parent.

The transactions listed above did not result in a loss of control and were therefore accounted for as equity transactions, with the resultant adjustments being recognised directly in equity.

	iThrive Business Solutions R'000	Med scheme Mauritius Limited R'000	Total R'000
Retained earning	143	1,902	2,045
Non-controlling interest	(143)	3,709	3,566
Total equity	**–**	**5,611**	**5,611**

19. PROVISIONS

Provisions for employee benefits

Figure in R'000	Leave pay*	Bonuses*
Balance as at 30 June 2019	46 295	41 743
Charged /(credited) to the statement of comprehensive income:		
– additional provisions	108 150	104 384
– amounts reversed	–	(3 578)
Utilised during the year	(109 129)	(85 089)
Balance as at 30 June 2020	**45 316**	**57 460**
Take on balance	2 386	9 421
Charged /(credited) to the statement of comprehensive income:		
– additional provisions	70 253	124 562
– amounts reversed	–	(698)
Utilised during the year	(68 827)	(109 257)
Balance at 30 June 2021	**49 128**	**81 488**
Take on balance	210	–
Charged /(credited) to the statement of comprehensive income:		
– additional provisions	10 975	88 428
– amounts reversed	–	–
Utilised during the year	(11 652)	(75 455)
Balance at 30 June 2022	**48 661**	**94 461**

*The leave pay provisions are primarily in respect of leave pay to be settled in the next financial year. The bonus provision is primarily for management short term incentives to be settled in the next financial period based on key performance indicators and performance individuals and the company.

20. POST-EMPLOYMENT MEDICAL OBLIGATIONS

Medscheme Holdings Pty Ltd (subsidiary of the Group) operates a post-employment medical benefit scheme. Eligible members are entitled to a fixed rand amount subsidy based on their medical scheme contributions. This post-employment medical benefit scheme is the present value of the employer's share of the expected medical scheme contributions to be paid in respect of current and future continuation members. IAS19 requires that companies should have provided for the liability by the time that the employee and/or their dependants become entitled to receive the post-employment benefits, which is usually the date of retirement or death in service. Although the post-employment liability usually only vests at retirement or death in service and is generally not dependent on the length of service that an employee has had with the employer, the liability accrues uniformly whilst in service.

The accumulated post-employment medical aid obligation was determined by independent actuaries in June 2022 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.

Figures in R'000	June 2022	June 2021	June 2020
Balance at the end of the year	**1 915**	**2 138**	**2 594**
The amounts recognised in the Statement of comprehensive income are as follows:			
Interest cost	147	170	192
Expected benefit payment	(394)	(447)	(445)
Net actuarial loss/(gain) recognised in the current year	24	(179)	237
Net movement for the year	**(223)**	**(456)**	**(16)**
The amount recognised in the Statement of financial position is determined as follows:			
Present value of funded obligations	2 138	2 594	2 610
Interest cost	147	170	192
Expected employer benefit payments	(394)	(447)	(445)
Actuarial loss/(gain)	24	(179)	237
Accrued liability in excess of plan assets	**1 915**	**2 138**	**2 594**

Figures in R'000	June 2022	June 2021	June 2020
Balance at the end of the year	**1 915**	**2 138**	**2 594**
Assets and liabilities recognised in the Statement of financial position is as follows:			
Accrued liability in excess of plan assets	**1 915**	**2 138**	**2610**
The principal actuarial assumptions used were as follows:			
*Discount rate	9.41% p.a.	7.62% p.a.	7.20% p.a.
Post-retirement mortality	PA(90)**	PA(90)**	PA(90)**

*The discount rate has increased from previous valuation, resulting in a decrease in the liability.

**A PA(90) mortality table with a 2 year age reduction and a 1% annual mortality improvement from 2006 has been used.

The table below provides a breakdown of the explanatory factors leading to the remeasurements

Figures in R'000		June 2022	June 2021
Explanatory factor			
1.	Change in discount rate	(146)	(41)
2.	Actual vs expected membership profile	170	(138)
Total remeasurements		**24**	**(179)**

1. The discount rate has been adjusted and increased to reflect recent market conditions. This has resulted in a decrease in the total accrued liability of R146 000.
2. The actual membership changes relative to that expected resulted in a decrease in the total accrued liability of R170 000.

Annual expenses

The table below compares Medscheme's budgeted annual expenses for the years ending 30 June 2022 and 30 June 2023.

Figures in R'000	June 2022	June 2021	June 2020
Expense item			
Service cost	–	–	–
Interest cost	147	147	170
Annual expense	**147**	**147**	**170**
Employer benefits payments	(394)	(379)	(447)
Expected change in accrued liability (excluding remeasurements)	**(247)**	**(232)**	**(277)**

The liability is expected to decrease by R217 000 to 30 June 2023

Sensitivity testing:

Assumption	Variation	Change in accrued liability	Change in annual expense
Post – retirement mortality	PA(90)-3 with an annual improvement of 1.00% from 2006	+4%	+4.4%
	PA(90)-1 with an annual improvement of 1.00% from 2006	-3,90%	-4,40%
Discount rate	1%	-3,8%	+6.0%
	-1%	4,1%	-6,5%

Sensitivities and Impact on Defined Benefit Obligation 'DBO'

Discount rate	**Increase to 10.41%**	**Decrease to 8.41%**
Increase (decrease) in the defined benefit obligation	(R72,468)	R78,652
Salary growth rate	**Increase by 1%**	**Decrease by 1%**
Increase (decrease) in the defined benefit obligation	–	–
Average life expectancies of males	**Increase of one year**	**Decrease of one year**
Increase (decrease) in the defined benefit obligation	R35,997	(R35,718)
Average life expectancies of females	**Increase of one year**	**Decrease of one year**
Increase (decrease) in the defined benefit obligation	R40,096	(R39,694)

21. LEASES

Figures in R'000	June 2022	June 2021	June 2020
Amounts recognised in the statement of financial position			
The statement of financial position shows the following amounts relating to leases:			
Non-current assets			
Right of use assets	**147 964**	176 924	234 980
Non-current liabilities			
Lease liabilities	**127 790**	156 353	181 427
Current liabilities			
Lease liabilities	**68 610**	63 764	96 855
Amounts recognised in statement of profit or loss			
Depreciation	**63 287**	66 564	70 930
Interest expense	**19 354**	21 420	27 772
Expense relating to short-term leases	**1 438**	1 528	12 332

The total cash outflow for leases in 2022 was R91.3 million (2021: R93.7 million; 2020: R92.0 million).

The lease payments are discounted using the incremental borrowing rate, being the Group's credit facility interest rate.

22. REVENUE

22.1 Revenue comprises:

Figures in R'000	June 2022	June 2021	June 2020
Revenue from sale of pharmaceutical goods	**2 648 461**	**2 437 065**	**1 884 589**
Administration fees	1 733 476	1 553 456	1 552 055
Health risk management fees – Medical aid schemes	1 553 004	1 427 354	1 218 151
Health risk management fees – Capitation funds	1 945 074	1 877 580	1 011 817
Management fees	3 279	4 053	21 926
IT revenue and other	743 866	657 364	496 999
Marketing fees	172 926	194 840	209 757
Healthcare insurance administration fees	42 510	38 096	28 023
Revenue from performance of services	**6 194 135**	**5 752 743**	**4 538 728**
Total revenue from contracts with customers	**8 842 596**	**8 189 808**	**6 423 317**

22.2 Sources of revenue

Contracts with customers	8 842 596	8 189 808	6 423 317

22.3 Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

The table also includes a reconciliation of the disaggregated revenue.

Figures in R'000	Adminis-tration fees	Health risk management fees – Medical aid schemes	Management fees	Healthcare insurance	IT revenue and other	Retail	Health risk management fees – Capitation funds	Marketing fees	Group total
Revenue for the year ended 30 June 2022 disaggregated by type of goods or services – Group									
Primary geographical markets									
SA	1 561 112	1 536 007	1 626	42 510	724 755	2 648 461	1 945 074	172 926	8 632 471
Outside of South Africa	172 364	16 997	1 653	–	19 111	–	–	–	210 125
	1 733 476	**1 553 004**	**3 279**	**42 510**	**743 866**	**2 648 461**	**1 945 074**	**172 926**	**8 842 596**
Major product/service line									
Admin health	1 733 476	–	–	–	743 866	–	–	172 926	2 650 268
Retail (Pharma)	–	–	–	–	–	2 648 461	–	–	2 648 461
Managed healthcare	–	1 553 004	3 279	42 510	–	–	1 945 074	–	3 543 867
	1 733 476	**1 553 004**	**3 279**	**42 510**	**743 866**	**2 648 461**	**1 945 074**	**172 926**	**8 842 596**
Timing of revenue recognition									
Products transferred at a point in time	–	–	–	–	–	2 648 461	–	–	2 648 461
Products and services transferred over time	1 733 476	1 553 004	3 279	42 510	743 866	–	1 945 074	172 926	6 194 135
	1 733 476	**1 553 004**	**3 279**	**42 510**	**743 866**	**2 648 461**	**1 945 074**	**172 926**	**8 842 596**

Figures in R'000	Adminis-tration fees	Health risk management fees – Medical aid schemes	Management fees	Healthcare insurance	IT revenue and other	Retail	Health risk management fees – Capitation funds	Marketing fees	Group total
Revenue for the year ended 30 June 2021 disaggregated by type of goods or services – Group									
Primary geographical markets									
SA	1 387 629	1 411 066	2 474	38 096	643 690	2 437 065	1 877 580	194 840	7 992 440
Outside of South Africa	165 827	16 288	1 579	–	13 674	–	–	–	197 368
	1 553 456	**1 427 354**	**4 053**	**38 096**	**657 364**	**2 437 065**	**1 877 580**	**194 840**	**8 189 808**
Major product/service line									
Admin health	1 553 456	–	–	–	657 364	–	–	194 840	2 405 660
Retail (Pharma)	–	–	–	–	–	2 437 065	–	–	2 437 065
Managed healthcare	–	1 427 354	4 053	38 096	–	–	1 877 580	–	3 347 083
	1 553 456	**1 427 354**	**4 053**	**38 096**	**657 364**	**2 437 065**	**1 877 580**	**194 840**	**8 189 808**
Timing of revenue recognition									
Products transferred at a point in time	–	–	–	–	–	2 437 065	–	–	2 437 065
Products and services transferred over time	1 553 456	1 427 354	4 053	38 096	657 364	–	1 877 580	194 840	5 752 743
	1 553 456	**1 427 354**	**4 053**	**38 096**	**657 364**	**2 437 065**	**1 877 580**	**194 840**	**8 189 808**

Figures in R'000	Adminis-tration fees	Health risk management fees – Medical aid schemes	Management fees	Healthcare insurance	IT revenue and other	Retail	Health risk management fees – Capitation funds	Marketing fees	Group total
Revenue for the year ended 30 June 2020 disaggregated by type of goods or services – Group									
Primary geographical markets									
SA	1 392 593	1 202 094	16 320	28 023	496 999	1 884 589	1 011 817	209 757	6 242 192
Outside of South Africa	159 462	16 057	5 606	–	–	–	–	–	181 125
	1 552 055	**1 218 151**	**21 926**	**28 023**	**496 999**	**1 884 589**	**1 011 817**	**209 757**	**6 423 317**
Major product/service line									
Admin health	1 552 055	–	–	–	496 999	–	1 011 817	209 757	3 270 628
Retail (Pharma)	–	–	–	–	–	1 884 589	–	–	1 884 589
Managed healthcare	–	1 218 151	21 926	28 023	–	–	–	–	1 268 100
	1 552 055	**1 218 151**	**21 926**	**28 023**	**496 999**	**1 884 589**	**1 011 817**	**209 757**	**6 423 317**
Timing of revenue recognition									
Products transferred at a point in time	–	–	–	–	–	1 884 589	–	–	1 884 589
Products and services transferred over time	1 552 055	1 218 151	21 926	28 023	496 999	–	1 011 817	209 757	4 538 728
	1 552 055	**1 218 151**	**21 926**	**28 023**	**496 999**	**1 884 589**	**1 011 817**	**209 757**	**6 423 317**

22.4 **Contract balances**

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

Figures in R'000	**June 2022**	**June 2021**	**June 2020**
Trade receivables	577 454	405 917	448 874
Trade receivables impairment	(8 897)	(18 818)	(35 262)
	568 557	**387 099**	**413 612**

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or for services rendered, once the performance obligation of the service is satisfied.

The table in Note 1(n)(i) provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

All contracts within the Group have a single performance obligation hence the allocation of transaction price is not required.

23. COST OF PHARMACEUTICAL PRODUCTS AND FINISHED GOODS

Figures in R'000	**June 2022**	**June 2021**	**June 2020**
Opening inventory	421 563	297 851	283 732
Purchases	2 032 927	1 933 318	1 431 326
Closing inventory	(431 764)	(421 563)	(297 851)
Cost of pharmaceutical products and finished goods	**2 022 726**	**1 809 606**	**1 417 207**
Cost of distribution of pharmaceutical products	98 694	95 991	72 561
Total cost relating to pharmaceutical products	**2 121 420**	**1 905 597**	**1 489 768**

24. PROFIT BEFORE TAXATION

Figures in R'000	**June 2022**	**June 2021**	**June 2020**
Profit before taxation is stated after charging/ (crediting) the following items:			
Auditors' remuneration (included in "other expenses")	**17 757**	**16 452**	**13 914**
Audit fees	16 646	16 452	13 693
Prior period under provision	1 111	–	221
Depreciation of property and equipment	**87 299**	**78 202**	**62 374**
Motor vehicles	5 397	4 534	3 626
Computer equipment	45 829	42 446	31 234
Buildings	6 886	5 587	4 601
Furniture and fittings	16 623	15 560	14 368
Property and equipment	12 352	10 075	8 545
Leasehold improvements	212	–	–
Amortisation of development costs and other intangible assets	231 269	195 027	162 909
Right of use asset depreciation	63 287	66 564	70 930
Bad debt write-off	6 554	8 705	2 454
Expected credit loss allowance	(5 646)	2 009	3 686

Figures in R'000	June 2022	June 2021	June 2020
Rent and property costs	**84 157**	**77 857**	**87 061**
Short-term building leases	6 745	11 945	4 326
Other building-related expenses	75 974	64 384	70 404
Motor vehicles	19	200	318
Office equipment and furniture	1 419	1 328	12 013
Repairs and maintenance (included in "rent and property costs")	11 932	13 057	6 235
Directors' emoluments			
(included in "employee benefit costs")			
Executive			
JW Boonzaaier	**5 746**	**6 016**	**6 396**
– Basic salary	3 535	3 431	3 156
– Bonus	1 208	2 083	1 756
– Share based payment	–	–	1 302
– Company contributions[1]	217	210	182
– Profit on vesting of share-based payments	720	226	–
– Other allowances	66	66	–
A Banderker	**8 237**	**9 388**	**8 685**
– Basic salary	5 221	5 063	4 903
– Bonus	1 780	4 000	3 242
– Share based payment	–	–	226
– Profit on vesting of share-based payments	900	–	–
– Company contributions[1]	336	325	314
Non-executive			
For services as directors (basic salary)*	**4 358**	**3 517**	**2 977**
ATM Mokgokong	1 681	1 608	1 367
MJ Mandungandaba	1 901	1 553	1 368
IM Kirk	–	–	59
FG Allen	776	356	183
Employee benefit costs	**2 364 695**	**2 278 354**	**2 233 093**
Salaries and wages	2 004 552	1 987 551	1 942 067
Termination benefits	6 139	5 701	5 892
Incentive, production and performance bonus	136 709	149 457	155 515
Staff welfare	57 497	39 551	50 782
Movement in post-employment medical obligation	24	(179)	(16)
Other employee benefit cost	159 774	96 273	78 853
Average number of persons employed by the group during the period:			
South Africa	**5 447**	**5 652**	**5 349**
Full time	4 652	4 893	4 834
Part time	795	759	515
Outside of South Africa	**365**	**304**	**342**
Full time	305	277	342
Part time	60	27	–
Dividends received	(663)	(1 663)	–
Loss on disposal of tangible assets	4 550	3 947	1 940
Write-off of intangible assets	635	26 793	–

Figures in R'000	June 2022	June 2021	June 2020
Fair value adjustments	**(6 369)**	**6 290**	**14**
Fair value gains on Cell Captive investments	(5 746)	(2 148)	–
Fair value (gains)/losses on short-term loan receivable	(756)	756	14
Fair value losses on investment property	134	7 653	–
Other fair value (gains)/losses	(1)	29	–
Impairments	**3 203**	**10 378**	**2 930**
Impairment of goodwill	–	771	–
Impairment of software	–	35 485	2 920
Reversal of impairment of internally generated software	–	(39 167)	–
Impairment of internally generated software	–	6 093	–
Impairment of loans	3 203	7 196	10
IT costs*****	152 418	62 994	15 257
Other expenses			
Included in "other expenses" are the following:			
Donations	4 706	3 255	1 154
Consulting fees****	631 305	384 201	294 397
Legal fees	16 340	31 026	18 277
Operating expenditure**	176 692	253 182	212 188
Marketing and recruitment	87 854	77 284	79 295
VAT expenses	10 860	2 087	3 111
Capitation costs***	1 851 342	1 804 412	988 028

* The directors' remuneration highlighted above reflects their total directors' fees received across various subsidiaries within the group.

[1] The company contributions relate to contributions made by the employer towards pension funds.

** This relates mainly to motor vehicle, telephone, travel, postage and subscription costs.

*** This relates to pharmacy claims paid by Scriptpharm Risk Management Proprietary Limited and dental claims paid by the DENIS Group.

**** The increase is due to the outsourcing of the services on the GEMS managed care contract.

***** IT costs mainly relate to software licenses, managed service contracts and internet connectivity.

25. NET FINANCE COSTS

Figures in R'000	June 2022	June 2021	June 2020
Finance costs	**(76 403)**	**(58 475)**	**(77 710)**
Other*	(10 717)	(10 299)	(8 618)
Lease liability	(19 354)	(21 420)	(27 772)
Borrowings	(46 332)	(26 756)	(41 320)
Finance income	**17 418**	**21 913**	**26 033**
Cash and cash equivalents	13 846	16 869	19 819
Other**	3 572	5 044	6 214

The effective interest approximates the interest on the cash flows for the period.

* The other finance cost mainly relates to the interest on the deferred payment liability and contingent consideration relating to the acquisition of Activo Healthcare Assets Group.

** The other finance income mainly relates to discounts received and interest received on shareholder loans.

26. INCOME TAX EXPENSE– CONTINUING OPERATIONS

26.1 Income tax recognised in profit or loss:

Figures in R'000	June 2022	June 2021	June 2020
Current taxation			
Current year	221 823	220 541	169 842
Prior year	3 667	2 608	(2 514)
Securities transfer tax	–	425	24
Deferred taxation			
Current year	(32 351)	(23 960)	(3 453)
Prior year	330	(6 635)	(8 715)
Income tax on remeasurement of post-employment benefit obligations	6	(50)	(4)
	193 475	**192 929**	**155 180**

26.2 Reconciliation of the tax rate

Figures in R'000	June 2022	June 2021	June 2020
South African normal tax rate	**28,00%**	**28,00%**	**28,00%**
Adjusted for:			
Disallowable expenses	**1,40%**	**0,65%**	**3,12%**
Donations not subject to Section 18A	0,01%	0,04%	0,04%
Fair value loss on investment	0,00%	0,35%	0,12%
Dual nature expenses	0,34%	0,41%	0,57%
Non-allowable legal fees	0,06%	0,12%	0,32%
Non-allowable consulting fees	0,07%	0,04%	0,14%
Foreign exchange loss	0,02%	0,00%	0,07%
Other non-deductible expenditure*	0,00%	0,03%	0,00%
Impairment of loans	0,25%	0,12%	1,23%
Impairment of investments	0,00%	0,82%	0,61%
Impairment of intangible assets	0,03%	0,42%	0,00%
Reversal of impairment of intangible assets	0,00%	(1,82%)	0,00%
Penalties and interest	0,41%	0,02%	0,00%
Depreciation on buildings	0,03%	0,03%	0,00%
Waiver of debt	0,00%	0,01%	0,00%
Non trading expenditure	0,18%	0,06%	0,02%
Other taxable income	**0,00%**	**0,02%**	**0,00%**
SARS Interest received	0,00%	0,02%	0,00%
Non-taxable income	**(0,59%)**	**(0,24%)**	**(0,49%)**
Share of profits from associates	(0,28%)	(0,32%)	(0,36%)
Fair value gain on investments	(0,21%)	0,00%	(0,01%)
Foreign exchange gain	0,00%	(0,06%)	0,00%
Actuarial gain	(0,03%)	0,01%	0,00%
Employment Tax Incentive	(0,07%)	0,13%	(0,12%)
Exempt income	**(0,03%)**	**(0,52%)**	**(1,08%)**
PSMAS income	0,00%	(0,52%)	(1,08%)
Dividends received	(0,03%)	0,00%	0,00%
Other deductible expenses	**(0,41%)**	**(0,47%)**	**(0,69%)**
Learnership allowance	(0,41%)	(0,27%)	(0,69%)
Venture capital allowance	0,00%	(0,18%)	0,00%
Other deductible expenditure	0,00%	(0,02%)	0,00%

Figures in R'000	June 2022	June 2021	June 2020
Unreconciled temp differences	**0,00%**	**(0,10%)**	**0,00%**
Rate differences	**(0,46%)**	**(0,31%)**	**(0,85%)**
			(0,56%)
Prior year adjustment			
– current tax	0,55%	0,68%	(0,68%)
– deferred tax	(0,06%)	(0,92%)	(1,13%)
Security tansfer tax	0,00%	0,06%	0,00%
Withholding tax	0,13%	0,17%	(0,62%)
At acquisition tax	0,00%	(0,74%)	0,00%
Unutilised capital loss	0,00%	(0,38%)	0,00%
Unrecognised assessed loss	0,04%	0,74%	(0,30%)
Statutory tax rate change	(0,95%)	0,00%	0,00%
Effective tax rate	**27,62%**	**26,64%**	**24,72%**

* Other non-deductible expenditure mainly relates to non-deductible payroll costs and non-deductible development cost in Medscheme Mauritius.

27. CASH FLOWS FROM OPERATING ACTIVITIES

Figures in R'000	June 2022	June 2021	June 2020
Profit before tax from operating activities	700 377	724 109	632 838
Loss before tax from discontinued operations	–	(13 871)	(9 117)
Profit before tax	**700 377**	**710 238**	**623 721**
Adjustments for:			
Dividends received	(663)	(1 663)	–
Other income	(563)	(1 314)	–
Fair value (gains)/losses on investment in AfroCentric Investment Corporation Limited	60	(1 460)	2 520
Right of use assets depreciation	63 287	66 563	71 781
Interest on lease	19 354	21 420	27 888
Finance income	(17 418)	(21 913)	(26 387)
Finance costs	57 049	37 055	49 938
Bad debts written off	6 554	8 705	2 454
Increase/(Decrease) in expected credit loss allowance	(5 646)	2 009	3 686
Depreciation	87 299	78 202	62 514
Fair value (gains)/losses	(6 369)	6 290	(14)
Amortisation of intangible assets	231 269	195 028	164 153
Impairment of intangibles	–	3 182	2 920
Impairment provision on investments and loans	3 203	7 196	10
Loss on disposal of tangible assets	4 550	3 947	1 939
Write-off of intangible assets	635	26 793	–
Share-based payment expense	13 127	6 870	8 896
Reclassification of foreign currency translation reserve	–	10 401	–
Share of profit from associates	(6 991)	(8 294)	(7 990)
Finance cost – Contingent consideration	7 782	–	–
Finance cost – Deferred payment	1 932	–	–
Other adjustments for non-cash items	(1 281)	(1 276)	(10 701)
Cash flow before working capital changes	**1 157 547**	**1 147 979**	**977 328**
Working capital changes			
Inventory	(8 774)	(126 435)	(14 119)
Trade and other receivables	(221 989)	(5 057)	24 323
Trade and other payables	184 052	40 888	(39 611)
Provisions	12 506	(28 114)	13 281
Cash generated from operations	**1 123 342**	**1 029 261**	**961 202**

28. INCOME TAX PAID

Figures in R'000	June 2022	June 2021	June 2020
Balance at the beginning of the year	7 677	(7 630)	1 887
Balance at the end of the year (asset)/liability	(8 015)	(7 682)	7 630
(Charge)/credit to the statement of comprehensive income	(193 475)	(192 979)	(154 158)
(Charge) to other comprehensive income	6	(50)	(4)
Less deferred tax included in taxation expense	(32 021)	(30 645)	(14 500)
Securities transfer tax	–	–	(24)
Take on balance*	–	(27 655)	–
Taxation (credit) /expense related to discontinued operations	–	(137)	995
Deferred tax included in discontinued operations	–	(1 630)	(2 328)
	(225 828)	**(268 408)**	**(160 502)**

*The take on balance relates to the current tax balances at acquisition of DENIS Group during the prior financial year ended 30 June 2021 financial year.

29. DIVIDENDS

ACT Healthcare Assets passed two resolutions whereby dividends were declared in the 2022 financial year. These dividends were debited to retained earnings in 2022.

Figures in R'000	June 2022	June 2021	June 2020
Dividend declared	**288 239**	**280 218**	**78 558**
Attributable to:			
Owners of the parent	205 514	199 795	56 012
Non-controlling interests of ACT Healthcare Assets	82 725	80 423	22 546
Dividends declared and paid to Non-controlling interests	**16 055**	**52 500**	**21 354**
Dividend declared and paid by Essential Group Proprietary Limited	5 895	19 630	–
Dividend declared and paid by Medscheme (Namibia) Proprietary Limited	6 240	4 940	9 230
Dividend declared and paid by Allegra Proprietary Limited	3 920	8 330	10 780
Dividend declared and paid by Scriptpharm Risk Management Proprietary Limited to non-controlling interest	–	–	1 344
Distribution Services Proprietary Limited	–	19 600	–
	304 294	**332 718**	**99 912**

30. SHARE-BASED PAYMENTS

In the 2018 financial year a new share award plan was implemented. The purpose of the plan is to retain, motivate and reward eligible employees who are able to influence the performance and growth strategies of the company, on a basis which aligns their interests with those of the group's shareholders.

Share awards will be issued to identified participants by the Remuneration Committee and Board. The number of share awards to be allocated to an eligible employee will primarily be based on the identified employee's annual salary, grade, performance, retention and attraction requirements and market benchmarks. The number of share awards will be recommended by the Remuneration Committee at the time that share awards are granted per an award letter.

Eligibility for participation to the plan will be considered on an annual basis. Share awards will constitute conditional shares in AfroCentric Investment Corporation Limited and on vesting date this will be issued to the identified participant in equity shares at no cost. The maximum annual allocation is 5 543 773 share awards (1% of current issued share capital of 554 377 328) and the maximum dilution limit is 27 718 866 (5% of current issued share capital of 554 377 328).

AfroCentric expects that 90% of awards will vest to participants at the end of the plan. The share awards are subject to staggered vesting, i.e. vesting of the share awards following the three– year retention period in three equal tranches. The charge for the year ended 30 June 2022 is R13.1 million.

30 June 2022

Offer date	Issue share price R	Balance at 30 June 2021 '000	Offered '000	Forfeited/ Vested '000	Balance as at 30 June 2022 '000	Fair Value as at 30 June 2022 R'000
-8 December 2017	6,2	2 180	–	(150)	2 030	6 485
-1 November 2018	5,5	2 720	–	(230)	2 490	9 280
-30 November 2019	3,3	4 990	–	(1 120)	3 870	10 304
-07 December 2020	3,5	5 700	–	(1 220)	4 480	7 311
-30 November 2021	5,5	–	5 980	–	5 980	3 547
Total		**15 590**	**5 980**	**(2 720)**	**18 850**	**36 927**

Fair value based on closing share price of Afrocentric Investment Corporation Limited as at 30 June 2022 of R4.39 and the percentage weighting applied in terms of the share scheme rules.

Weighted average remaining years of 2.94 years.

30 June 2021

Offer date	Issue share price R	Balance at 30 June 2020 '000	Offered '000	Forfeited/ Vested '000	Balance as at 30 June 2021 '000	Fair Value as at 30 June 2021 R'000
-8 December 2017	6,2	2 680	–	(500)	2 180	7 631
-1 November 2018	5,5	3 530	–	(810)	2 720	7 174
-30 November 2019	3,3	5 190	–	(200)	4 990	8 198
-07 December 2020	3,5	–	6 240	(540)	5 700	3 450
Total		**11 400**	**6 240**	**(2 050)**	**15 590**	**26 453**

Fair value based on closing share price of Afrocentric Investment Corporation Limited as at 30 June 2021 of R4.42 and the percentage weighting applied in terms of the share scheme rules.

Weighted average remaining years of 3.2 years.

30 June 2020

Offer date	Issue share price R	Balance at 30 June 2019 '000	Offered '000	Forfeited/ Vested '000	Balance as at 30 June 2020 '000	Fair Value as at 30 June 2020 R'000
-8 December 2017	6,2	4 440	–	(1 760)	2 680	9 915
-1 November 2018	5,5	4 430	–	(900)	3 530	7 921
-30 November 2019	3,3	–	5 190	–	5 190	2 355
Total		**8 870**	**5 190**	**(2 660)**	**11 400**	**20 191**

Fair value based on closing share price of Afrocentric Investment Corporation Limited as at 30 June 2020 of R3.69 and the percentage weighting applied in terms of the share scheme rules.

Weighted average remaining years of 2.78 years.

	Number of shares 2022	Number of shares 2021	Number of shares 2020
Movements in number of instruments:			
Outstanding at the beginning of the period	2 672	1 436	1 130
Vested			
Active employees	167	1 236	306
Outstanding at the end of the period	**2 839**	**2 672**	**1 436**

This represents the shares vested but not yet exercised.

31. CONTINGENCIES, COMMITMENTS AND GUARANTEES

Contingencies

Exposure to errors and omissions in ordinary course of business

As for any business with similar operations, the Group is exposed to various potential claims relating to alleged errors and omissions or non-compliance with laws and regulations in the conduct of its ordinary course of business. At the date of these Annual Financial Statements, the Group is unaware of any material claims, actual or contemplated, by any of the Group's stakeholders or customers, except for those listed below.

Neil Harvey and Associates Proprietary Limited

The first issue determined in the arbitration case was Neil Harvey and Associates' (NHA) claim relating to Medscheme's use, during 2005 to 2007, of a copy of an offline and online broker software module known as the EMI Broker software. The EMI Broker software module was rendered redundant by about 2008 as a result of developments in technology and Medscheme had in any event discontinued the use thereof by that time.

Claims relating to this matter amounted to approximately R24 million (as a royalty) plus interest, which NHA sought to claim from about 2005. The dispute over this issue was heard in July and August 2020, and an award was given in October 2020. The arbitrator ruled that NHA was entitled to only R2.7 million, with interest only from October 2020 to the payment date and costs. The arbitrator, however, found that Medscheme's contribution fell short of the contribution required for joint authorship and ownership of the software. The arbitrator further dismissed NHA's claims against three of Medscheme's former executives and awarded Medscheme the costs of a previous postponement of the arbitration. Thus, both NHA and Medscheme were ordered to pay costs.

In October 2021, the Plaintiffs submitted a proposed amended claim of R500 million based on an additional amount claimed for the loss of revenue on royalties, which they argued is due to them based on the utilisation of the software by Medscheme. This claim will be subject to argument at the next hearing. The next part of the case relating to the claim for loss of earnings and emulation of the software commenced on 1 August 2022, and is set down for hearing until March 2023.

Guarantees

Figures in R'000	June 2021	June 2021	June 2020
Guarantees issued in respect of office rental for premises occupied by the Group	5 503	5 503	5 503
Medical aid schemes	1 000	1 000	1 000
South African Post Office	3 800	3 800	3 800
City Power Johannesburg	500	500	500
MMed guarantees to suppliers	850	850	850
	11 653	**11 653**	**11 653**

32. **RELATED PARTY TRANSACTIONS**

Directors

Details relating to directors' emoluments are disclosed in Note 24. There are no loans to directors.

Relationships with directors in the Group

WAD Holdings Proprietary Limited – Mr WH Britz (Non-Executive Director) holds 50% of WAD Holdings Proprietary Limited.

WAD Holdings Proprietary Limited is the 100% shareholder of Northern Lights Trading 172 Proprietary Limited.

Transactions with entities in the Group

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

Directors **Figures R'000**	**June 2022**	**June 2021**	**June 2020**
Medical aid contributions paid by directors – to schemes administered by	654	486	177
Medscheme Holdings Proprietary Limited			
Mr MJ Madungandaba (70%) and Dr ATM Mokgokong (30%) control Namane Financial Services – consulting and marketing fees paid to Namane Financial Services	–	14	156
Mr MJ Madungandaba (42%) and Dr ATM Mokgokong (30%) control Mesure Facilities Management Proprietary Limited – management fees and other expenses paid to Mesure Facilities Management Proprietary Limited. The fees represent outsourced facilities management for the AfroCentric Group that represent the following categories:	**68 683**	**62 784**	**67 996**
– Salaries	11 950	11 087	12 501
– Cleaning and security	22 263	21 042	19 842
– Refurbishments, projects and capex	8 403	5 787	6 635
– Utilities	25 615	23 593	27 052
– Other	452	1 275	1 966
Mr MJ Madungandaba (41.91%) and Dr ATM Mokgokong (17.96%) control Skynet South Africa Jasco Electronics Proprietary Limited – courier fees paid to Skynet South Africa	–	–	4
Mr MJ Madungandaba (8.29%) and Dr ATM Mokgokong (3.55%) have an interest in Jasco Electronics Holdings Limited – IT service fees paid to Jasco Electronics Holdings Limited	96	2 464	21 810
Mr MJ Madungandaba and Dr ATM Mokgokong are directors of Community Medical Proprietary Limited – purchases from Community Medical Proprietary Limited	–	–	1 619
Activo Health Proprietary Limited – rental costs paid to Northern Lights Trading 172 Proprietary Limited	1 250	1 158	563
AfroCentric Distribution Services Proprietary Limited – rental costs paid to Northern Lights Trading 172 Proprietary Limited	3 698	4 321	4 039
Pharmacy Direct Proprietary Limited – rental costs paid to Northern Lights Trading 172 Proprietary Limited	1 954	1 926	1 884
Fastpulse Employee Solutions Proprietary Limited – rental costs paid to Northern Lights Trading 172 Proprietary Limited	228	129	–
Related entities Intercompany recovery costs			
Sanlam Limited – Intercompany recovery expenses paid to AfroCentric Distribution Services Proprietary Limited	(38)	(12)	–

Directors Figures R'000	June 2022	June 2021	June 2020
Balances			
AfroCentric Health (RF) Proprietary Limited loan account	8 926	64 654	–
Investment held in AfroCentric Investment Corporation Limited by AfroCentric Health	8 926	64 654	(2 418)
Management Services (Pty) Ltd – 1 999 999 shares @ R442 cents (2020: R369 cents)	8 780	8 840	–
AfroCentric Investment Corporation Limited– Loan balance with ACT Healthcare Assets (Pty) Ltd	–	–	9 767
Interest charged			
Interest paid to AfroCentric Health (RF) Proprietary Limited	(3 603)	(1 035)	7
Interest received by AfroCentric Health (RF) Proprietary Limited	–	–	6 049
Dividends received			
Dividends received from AfroCentric Health (RF) Proprietary Limited	273 838	477 710	154 783
Key management personnel compensation			
Short-term employee benefits	22 896	24 650	18 929
Share-based payments	4 455	9 824	5 014

Key management personnel comprise Executive Directors within the AfroCentric Health Proprietary Limited Group.

Inter-Group guarantees

The following group companies have provided cross guarantees to the AfroCentric Health (RF) Proprietary Limited bankers, for facilities offered to that company:

- Medscheme Holdings Proprietary Limited
- Aids for AIDS Management (RF) Proprietary Limited
- AfroCentric Technologies (RF) Proprietary Limited
- Klinikka Proprietary Limited

33. CONTINGENT CONSIDERATION

R'000	June 2022	June 2021	June 2020
Contingent consideration on Activo Healthcare Assets Proprietary Limited	**75 798**	**–**	**–**

This represents the fair value of the contingent consideration relating to the acquisition of Activo Healthcare Assets Proprietary Limited (refer to Note 4). The fair value has been assessed at year-end.

In terms of the sale of share agreement the maximum contingent consideration payable is limited. As such, the liability will not increase beyond what has been recognised in the current financial year, with the exception of recognising the finance cost component as a result of the time value of money. The undiscounted maximum and minimum liability is R90.5 million and R40.5 million respectively.

In terms of the sale of share agreement, the maximum contingent consideration payable can be adjusted downward in the event that there is a delay in the launch of each molecule or SAHPRA rejects a dossier for registration. The agreement outlines the downward adjustment amount per molecule, with reference to the aggregate amounts for each period of delays, as well as the rejection amount. The aggregate downward adjustment amount is limited to R50 million.

Reconciliation of the movement:

Fair value at acquisition date	68 016	–	–
Finance cost	7 782	–	–
Closing balance as at the end of the year	**75 798**	**–**	**–**

Recognised fair value measurements

Valuation process

The finance department of the Group performs the valuations of the contingent consideration for financial reporting purposes, including level 3 fair values. The team reports directly to the CFO. Discussions of the valuation processes and results are held between the CFO and Group Finance at year-end to determine the fair value of contingent consideration unless there is an indication of impairment which will result in a write-off of the contingent consideration at that point in time.

Fair value hierarchy

The following hierarchy is used to classify financial and non-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 Group's liabilities that are measured at fair value at 30 June 2022:

2022		**Group**	
	Level 1	**Level 2**	**Level 3**
Contingent consideration	–	–	75 798
	–	**–**	**75 798**

2021		**Group**	
	Level 1	**Level 2**	**Level 3**
Contingent consideration	–	–	–
	–	**–**	**–**

2020		**Group**	
	Level 1	**Level 2**	**Level 3**
Contingent consideration	–	–	–
	–	**–**	**–**

Specific valuation techniques used to value financial and non-financial instruments include:

- the fair value of the contingent consideration is determined with reference to the maximum contractual amount payable, adjusted for management's estimate of the anticipated downward adjustment as a result of delays in the launch of molecules as well as dossier registration rejections.

34. DEFERRED PAYMENT

R'000	**June 2022**	**June 2021**	**June 2020**
Deferred payment	14 139	–	–

On 1 August 2021 (effective date and acquisition date), Activo Health Proprietary Limited concluded agreements governing the acquisition of 100% of the Activo Healthcare Assets Proprietary Limited (formerly known as Exeltis SA) group of companies (refer to Note 4).

Movement in deferred payment are as follows:

R'000	June 2022	June 2021	June 2020
Balance at the beginning of the year	–	–	–
Liability arising at acquisition	22 207	–	–
Payments made during the year	(10 000)	–	–
Finance cost	1 932	–	–
Balance at the end of the year	**14 139**	**–**	**–**

35. **SUBSEQUENT EVENTS**

Acquisition of additional shares in AfroCentric Distribution Services Proprietary Limited

Effective 1 July 2022, the Group, through its subsidiary AfroCentric Health (RF) Proprietary Limited, acquired the remaining 49% shares of AfroCentric Distribution Services Proprietary Limited from the minority shareholder for the value of R75 million.

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.

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.

37. **GOING CONCERN**

The Group Annual Financial Statements have been prepared on the going-concern basis. The Board performed a review of the Group's ability to continue as a going concern in the foreseeable future and therefore, based on this review, considers the preparation of the Annual Financial Statements on this basis to be appropriate

38. **IMPACT OF COVID-19 AND GOING CONCERN**

The wide-spread international outbreak of the COVID-19 (Coronavirus) originating in China, which has significantly affected lives, and entities and economic activity around the world.

The COVID-19 pandemic continued to affect economic activities across the globe and South Africa has not been spared. In an effort to stem the growth in cases, South Africa had been placed on various levels of lockdown from 26 March 2020 until 5 April 2022, when the National State of Disaster was lifted. The AfroCentric Group of entities have been deemed essential services as defined and have therefore continued to operate unaffected during the various levels of lockdown.

The impact of the COVID-19 pandemic and the related lockdown is immaterial. The following are potential future financial effects on the Group:

- Revenue – The Group's core business of administration of medical aid and provision of medication is considered to be a healthcare-related essential service and has remained unaffected by the COVID-19 lockdown. The Group revenue have therefore remained unaffected.
- Inventory – The Group and its subsidiary entities have experienced no disruption in the supply chain during the year and this is expected to continue in the 2023 financial period.
- Financial instrument risk disclosures – Due to the rapidly changing economic environment, the Group and its subsidiary entities have been subject to an increasing market risk and fair value risk. To this effect, the Group's sensitivity analysis has been performed using a larger range for the risk affected variables (Note 3 and 8). This range is based on management expectation of the impact of COVID-19.
- Borrowings repayment and classification – The Group has borrowings as at 30 June 2022 of R651 million. The Group is not in breach of the covenants. The Group is anticipating to make R120 million payments in the next 12 months as and when they become due, no deferral of capital repayments is expected.

The current contracts in place with the various medical aid schemes, private and public practitioners are not under threat as services were performed throughout all the respective levels of lockdown.

While the fierce headwinds of COVID-19 have put our most deeply held values to the test, our people have, time and time again, proven their resilience and commitment to delivering on our ambition of improving the quality of life of our stakeholders. Through the various alert levels and restrictions, our people have collaborated and supported one another to achieve broader aims. This was aptly demonstrated as we navigated the unrest in areas of the country during July 2021. The Group remained insulated, and the unrest did not impact our operations.

With the occurrence of the COVID-19 pandemic, Afrocentric Group and its subsidiary companies will still continue to operate as going concerns as there are sufficient financial resources to continue operating into the near future.

Furthermore, there has not been any regulatory changes announced by the President of South Africa that will threaten the company's ability to continue as a going concern