ACT Healthcare Assets (Pty) Ltd

(Registration Number 2008/025969/07)

Consolidated and Separate Annual Financial Statements

for the year ended 30 June 2021

Index

General Information

Country of Incorporation and Domicile	South Africa
Registration Number	2008/025969/07
Registration Date	04 November 2008
Nature of Business and Principal Activities	A private company operating in the healthcare fund management sector and associated industries. The Company's main business is to provide resources for the acquisitions, capital expending and the expansion of AfroCentric Investment Corporation Limited.
Directors	ATM Mokgokong MJ Madungandaba A Banderker JW Boonzaaier FG Allen IM Kirk (Resigned 12 September 2019)
Registered Office address	37 Conrad Street Florida North Roodepoort South Africa
Postal Address	P O Box 1101 Florida Glen Roodepoort 1708
Auditors	SizweNtsalubaGobodo Grant Thornton Inc. 20 Morris Street East Woodmead 2191 And PricewaterhouseCoopers Inc. 4 Lisbon Lane Waterfall City Jukskei View 2090
Company Secretary	B Mokale

Director's Responsibility Statement

The Directors are responsible for the preparation, integrity and fair presentation of the ACT Healthcare Assets (Pty) Ltd company and it's subsidiaries (referred to as "Group") Annual Financial Statements of the Group as presented on pages 10 to 115. These Annual Financial Statements have been prepared in accordance with IFRS and the Companies Act and include amounts based on judgements and estimates made by management.

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

Based on results of the reviews of the internal financial controls conducted by the internal audit function during the 2021 financial year and considering the information and explanations provided by management and discussions with the external auditor on the results of the audit, and assessed by the Audit and Risk Committee, nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of the overall system of controls has occurred during the period under review.

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

The Annual Financial Statements have been audited by SizweNtsalubaGobodo Grant Thornton Inc and PricewaterhouseCoopers Inc who are both independent accounting and auditing firms, who were both given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the Board of Directors and Committees of the Board. The Directors believe that all representations made to the auditor during the audit were valid and appropriate.

The audit opinion of SizweNtsalubaGobodo Grant Thornton Inc and PricewaterhouseCoopers Inc appears on page 7 - 9.

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

The Annual Financial Statements have been approved by the Board of Directors and signed on 24 February 2022.

Director	**Director**
JW Boonzaaier	**A Banderker**

Certificate by the Company Secretary

In terms of section 88(2)(e) of the Companies Act, I declare that to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required of a private company in terms of the Companies Act and that all such returns are true, correct and up to date.

B Mokale

Group Company Secretary

24 February 2022

Directors' Report

ACT Healthcare Assets (Pty) Ltd present their annual report for the year ended 30 June 2021.

1. Review of financial activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Main business and operations

The principal activity of the Group is a private company operating in the healthcare fund management sector and associated industries. The Company's main business is to provide resources for the acquisitions, capital expending and the expansion of Afrocentric Investment Corporation Limited and its subsidiaries. There were no major changes herein during the year.

2. AfroCentric Shared Value

The Group's operating subsidiaries continue to provide value-added complementary services to its traditional medical scheme clients as part of the Group's strategy inclusive of consolidated disruptive and innovative offerings. Through this, the Group continues to preserve shareholder value and provide solutions to healthcare client needs. This has further enabled us to understand both our clients and competitor environment and we can confirm that the Group is geared towards sustainability. Our strategy is to optimise our Group's products and services to offer organisations and members a seamless service. As part of our growth strategy, the Group contributes to South Africa's suistainable health and welfare by investing in healthcare-related businesses that grow its portfolio and diversify its revenue sources.

3. Developments

ACT Healthcare Assets acquired 100% of the shares in the DENIS group of companies, which specialises in dental benefits management. The transaction will enable the Group to focus on innovation and efficiency management in dental treatment offerings to all South African medical schemes and their members. The transaction became unconditional on 26 August 2020, the effective date was 01 October 2020.

The Group has further increased its shareholding in Scriptpharm Risk Management Proprietary Limited (Scriptpharm) from 80% to 100% shareholding, effective 01 August 2020. Scriptpharm is a registered managed care organisation that manages chronic and acute medicine, with provider status of either a preferred provider to medical schemes or a designated service provider.

4. Financial review

» Group consolidated revenue increased by 27.5% to R8 189 million (2020: R6 423 million).
» Profit before tax increased by 16.3% for the year under review amounting to R736 million (2020: R633 million).
» Profit after tax (PAT) from continuing operations increased by 13.7% compared to prior financial year.

5. Going Concern

The Annual Financial Statements have been prepared on the going concern basis. The board having performed a review of the Group's and Company'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. Refer to Note 37 for COVID-19 impact on going concern.

6. Director's interest in contracts

To our knowledge none of the directors had any interest in contracts entered into during the year under review.

Directors' Report

7. Treasury Shares

During the year, no share repurchases were made by the Company. AfroCentric Health Proprietary Limited holds 1 999 999 treasury shares in AfroCentric Investment Corporation Limited.

8. Auditors

SizweNtsalubaGobodo Grant Thorton Inc. and PricewaterhouseCoopers Inc. serves as auditors of the Company.

9. Authorised and issued share capital

The Company's issued share capital remains at 1 000 ordinary shares in the year under review. As per the Companies Act, Section 38, the Board may resolve to issue shares of the Company at any time, but only within the classes, and to the extent, that the shares have been authorised by or in terms of the Company's Memorandum of Incorporation. There have been no changes to the authorised or issued share capital during the year under review.

10. Borrowing limitations

In terms of the Memorandum of Incorporation, the borrowing powers of the Company are unlimited. The Company has no restrictive funding arrangements.

11. Dividend

Dividends of R332.7m (2020: R99.9m) were paid to shareholders.

12. Directors

Directors Name	Date of appointment	Designation
JW Boonzaaier	29 June 2016	Executive
A Banderker	01 April 2019	Executive
ATM Mokgokong	29 June 2016	Non-Executive
MJ Madungandaba	29 June 2016	Non-Executive
FG Allen	12 September 2019	Non-Executive
IM Kirk	15 December 2015	Resigned(12 September 2019)

13. Shareholders

There have been no changes in ownership during the current financial year.

The shareholders and their interests at the end of the year are:

	Holding
AfroCentric Investment Corporation Limited	71.30%
Sanlam Limited	28.70%

Independent Auditors' Report

To the Shareholders of ACT Healthcare Assets Proprietary Limited

Opinion

We have audited the consolidated and separate financial statements of ACT Healthcare Assets Proprietary Limited (the Company) and its subsidiaries (together the Group) set out on pages 10 to 115 which comprise the consolidated and separate statements of financial position as at 30 June 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of ACT Healthcare Assets Proprietary Limited as at 30 June 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "ACT Healthcare Assets Proprietary Limited Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021", which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed we conclude that there is a material

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Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Victor Sekese [Chief Executive]
A comprehensive list of all Directors is available at the company offices or registered office

sng-grantthornton.co.za

misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine are necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and / or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Julanie Basson
Director
Registered Auditor
01 March 2022
Johannesburg

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Lourenz de Jager
Director
Registered Auditor
01 March 2022
Pretoria

Statements of Financial Position

Figures in R `000	Notes	Group 2021	Group 2020	Company 2021	Company 2020
Assets					
Non-current assets					
Property and equipment	5.1	**690,569**	471,957	**-**	-
Right of use asset	5.2	**176,924**	234,980	**-**	-
Investment property	6	**7,765**	15,418	**-**	-
Intangible assets	7	**2,782,866**	2,695,187	**-**	-
Investments in subsidiaries	10	**-**	-	**2,061,814**	1,871,814
Investments in associates and joint ventures	9	**31,541**	33,307	**-**	-
Deferred tax assets	11	**149,763**	151,407	**-**	-
Investment in holding company	8.9	**8,840**	7,380	**-**	-
Other investments	14	**29,661**	3,711	**-**	-
Loan to holding company	8.8	**42,555**	-	**-**	-
Total non-current assets		**3,920,484**	**3,613,347**	**2,061,814**	**1,871,814**
Current assets					
Inventory	12	**421,563**	297,851	**-**	-
Trade and other receivables	8.4	**494,534**	505,921	**38**	10,038
Current tax assets	13	**31,485**	25,456	**-**	-
Other financial assets	14	**149,244**	-	-	-
Loan to group companies	8.7	**-**	-	**64,654**	-
Loan to holding company	8.8	**-**	29,958	-	-
Cash and cash equivalents	8.5	**195,674**	175,746	**724**	489
Total current assets		**1,292,500**	**1,034,932**	**65,416**	**10,527**
Total assets		**5,212,984**	**4,648,279**	**2,127,230**	**1,882,341**
Equity and liabilities					
Equity					
Issued share capital	16	**1**	1	**1**	1
Share premium	17	**1,131,143**	1,131,143	**1,131,143**	1,131,143
Retained income		**2,124,514**	1,943,155	**944,373**	747,988
Non-distributable reserves	18	**486**	2,161	**-**	-
Foreign currency translation reserve	18	**(8,611)**	(14,633)	**-**	-
Total equity attributable to owners of the parent		**3,247,533**	3,061,827	**2,075,517**	1,879,132
Non-controlling interests	19	**47,950**	75,495	**-**	-
Total equity		**3,295,483**	**3,137,322**	**2,075,517**	**1,879,132**
Liabilities					
Non-current liabilities					
Deferred tax liabilities	11	**310,340**	326,341	**-**	556
Provision for post-retirement benefit	21	**2,138**	2,594	**-**	-
Lease liability	8.11	**156,353**	181,427	**-**	-
Borrowings	8.12	**655,785**	266,311	**-**	-
Cash settled share based payment liability	31	**18,821**	10,276	**-**	-
Total non-current liabilities		**1,143,437**	**786,949**	**-**	**556**

Statements of Financial Position

Figures in R `000	Notes	Group 2021	Group 2020	Company 2021	Company 2020
Current liabilities					
Employment benefit liability	20.1	**130,616**	102,776	**-**	-
Trade and other payables	8.6	**428,245**	361,376	**286**	216
Current tax liabilities	13	**23,808**	33,086	**45**	19
Lease liability	8.11	**63,764**	96,855	**-**	-
Borrowings	8.12	**120,000**	120,000	**-**	-
Loan from group companies	8.7	**-**	-	**51,382**	2,418
Cash settled share based payment liability	31	**7,631**	9,915	**-**	-
Total current liabilities		**774,064**	**724,008**	**51,713**	**2,653**
Total liabilities		**1,917,501**	**1,510,957**	**51,713**	**3,209**
Total equity and liabilities		**5,212,984**	**4,648,279**	**2,127,230**	**1,882,341**

Statements of Profit or Loss and Other Comprehensive Income

Figures in R `000	Notes	Group 2021	Group 2020	Company 2021	Company 2020
Revenue from contracts with customers*	23	**8,189,808**	6,423,317	**-**	-
Other income*		**18,600**	26,047	**477,764**	154,830
Dividends received		**1,663**	-	**477,710**	154,783
Other income		**1,314**	-	**-**	-
Fair value gains/(losses)	25	**(6,290)**	14	**-**	-
Finance income	26	**21,913**	26,033	**54**	47
Cost of pharmaceutical products and finished goods	24	**(1,809,606)**	(1,417,207)	**-**	-
Cost of distribution of pharmaceutical products	24	**(95,991)**	(72,561)	**-**	-
Employee benefit costs*	25	**(2,278,354)**	(2,226,379)	**-**	-
Other expenses*	25	**(2,699,224)**	(1,618,779)	**(320)**	(462)
Amortisation*	7 & 25	**(195,027)**	(162,909)	**-**	-
Rent and property costs	25	**(90,914)**	(77,956)	**-**	-
Right of use asset depreciation*	5.2	**(66,564)**	(70,930)	**-**	-
Impairment of loans	25	**(7,196)**	(10)	**-**	-
Loss on disposal of property and equipment	25	**(3,947)**	(1,968)	**-**	-
Increase in expected credit loss allowance	25	**(2,009)**	(3,686)	**-**	-
Bad debt write-off	25	**(8,705)**	(2,454)	**-**	-
Share-based payment expense*	31	**(6,870)**	(8,896)	**-**	-
Depreciation*	5	**(78,202)**	(62,374)	**-**	-
IT Costs		**(62,994)**	(15,257)	**-**	-
Fair value gain/(loss) on investment in holding company	8.9	**1,460**	(2,520)	**-**	-
Impairment of intangibles	25	**(42,349)**	(2,920)	**-**	-
Reversal of impairment of intangibles	25	**39,167**	-	**-**	-
Write-off of intangibles	7	**(26,793)**	-	**-**	-
Share of profits from associates and joint venture	9	**8,294**	7,990	**-**	-
Interest on lease liability	26	**(21,420)**	(27,772)	**-**	-
Finance costs	26	**(37,055)**	(49,938)	**(1,382)**	-
Profit before tax		**724,109**	**632,838**	**476,062**	**154,368**
Income tax expense- continuing operations	27	**(192,979)**	(155,176)	**541**	-
Profit from continuing operations		**531,130**	**477,662**	**476,603**	**154,368**
Loss from discontinued operations	15	**(14,008)**	(8,122)	**-**	-
Loss on disposal of subsidiaries	15	**(10,014)**	-	**-**	-
Profit for the year		**507,108**	**469,540**	**476,603**	**154,368**
Profit for the year attributable to:					
Owners of Parent		**476,086**	440,994	**476,603**	154,368
Non-controlling interest	19	**31,022**	28,546	**-**	-
		507,108	**469,540**	**476,603**	**154,368**

Statements of Profit or Loss and Other Comprehensive Income

Figures in R `000	Notes	Group 2021	Group 2020	Company 2021	Company 2020
Profit for the year attributable to equity shareholders arises from:					
Continuing operations		**490,094**	449,116	**476,603**	154,368
Discontinuing operations	15	**(14,008)**	(8,122)	**-**	-
		476,086	**440,994**	**476,603**	**154,368**
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Remeasurement of post-employment benefit obligations		**179**	16	**-**	-
Income tax relating to these items	27	**(50)**	(4)	**-**	-
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences on translation of foreign operations					
Foreign exchange benefit of discontinued operations		**11,658**	-	**-**	-
Foreign exchange (loss) of continuing operations		**(5,636)**	(380)	**-**	-
Total other comprehensive income that will be reclassified to profit or loss		**6,022**	**(380)**	**-**	**-**
Total other comprehensive income net of tax		**6,151**	**(368)**	**-**	**-**
Total comprehensive income		**513,259**	**469,172**	**476,603**	**154,368**
Comprehensive income attributable to:					
Comprehensive income, attributable to owners of parent		**482,237**	440,626	476,603	154,368
Comprehensive income, attributable to non-controlling interests	19	**31,022**	28,546	-	-
		513,259	**469,172**	**476,603**	**154,368**

** Please refer to note 15 for details of the discontinued operations.*

Statements of Changes in Equity - Group

Figures in R `000	Notes	Ordinary share capital	Share premium	Foreign currency translation reserve	Non-distributable reserves	Retained earnings	Non-controlling interests	Total equity
Balance at 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 distribution to shareholders	30	-	-	-	-	(78,558)	(21,354)	(99,912)
Increase through changes in ownership interests in subsidiaries that do not result in loss of control	19	-	-	-	-	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**
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	30	**-**	**-**	**-**	**-**	**(280,218)**	**(52,500)**	**(332,718)**
Transactions with non-controlling interest	19	**-**	**-**	**-**	**-**	**(15,011)**	**(4,989)**	**(20,000)**
Disposal of subsidiary	15	**-**	**-**	**-**	**(1,675)**	**373**	**(1,078)**	**(2,380)**
Balance at 30 June 2021		**1**	**1,131,143**	**(8,611)**	**486**	**2,124,514**	**47,950**	**3,295,485**
Notes		**16**	**17**					

** 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.*

Statements of Changes in Equity - Company

Figures in R `000	Notes	Ordinary share capital	Share premium	Retained earnings	Total
Balance at 30 June 2019		1	1,131,143	672,178	1,803,322
Changes in equity					
Profit for the year		-	-	154,368	154,368
Dividend recognised as distributions to shareholders	30	-	-	(78,558)	(78,558)
Balance at 30 June 2020		**1**	**1,131,143**	**747,988**	**1,879,132**
Changes in equity					
Profit for the year		-	-	476,603	476,603
Dividend recognised as distributions to shareholders	30	-	-	(280,218)	(280,218)
Balance at 30 June 2021		**1**	**1,131,143**	**944,373**	**2,075,517**
Note		**16**	**17**		

Statements of Cash Flows

Figures in R `000	Notes	Group 2021	Group 2020	Company 2021	Company 2020
Cash flows from operating activities					
Cash receipts from customers		**8,211,848**	6,460,790	**10,000**	20
Cash paid to suppliers and employees		**(7,182,587)**	(5,499,588)	**(251)**	(245)
Cash generated from / (utilised in) operations	28	**1,029,261**	961,202	**9,750**	(226)
Dividend paid	30	**(332,718)**	(99,912)	**(280,218)**	(78,558)
Dividends received		**4,955**	4,873	**307,710**	154,783
Interest paid		**(58,475)**	(77,826)	**(1,382)**	-
Interest received		**21,913**	26,386	**54**	47
Income taxes (paid) / refunded	29	**(268,408)**	(159,169)	**11**	(4)
Net cash inflow from operating activities		**396,528**	655,554	**35,925**	76,042
Cash flows from investing activities					
Cash flows from disposal of subsidiaries	15	**(2,835)**	-	**-**	-
Business combinations*	4	**(85,209)**	(20,350)	**(20,000)**	-
Other cash receipts from sales of interests in associates		**8,083**	-	**-**	-
Proceeds from sales of tangible assets		**68,048**	17,115	**-**	-
Purchase of tangible assets	5	**(284,625)**	(136,967)	**-**	-
Proceeds from sales of intangible assets		**3,659**	-	**-**	-
Purchase of intangible assets	7	**(209,202)**	(284,210)	**-**	-
Loan advanced to holding company		**(12,597)**	(29,958)	**-**	-
Purchase of other financial assets	14	**(156,133)**	-	**-**	-
Payment toward deferred payment obligation		**-**	(7,335)	**-**	-
Net cash outflow from investing activities		**(670,811)**	(461,705)	**(20,000)**	-
Cash flows from financing activities					
Proceeds from changes in ownership interests in subsidiaries that do not result in loss of control	19	**(20,000)**	6,303	**-**	-
Lease liability capital repayment	8.11	**(70,885)**	(58,243)	**-**	-
Increase/(decrease) in borrowings	8.12	**389,474**	(105,255)	**-**	-
Proceeds of borrowings		**470,998**	50,000	**-**	-
Capital settlement of borrowings		**(81,524)**	(155,255)	**-**	-
Repayments of loan from holding company		**-**	(115,507)	**(15,690)**	(76,187)
Net cash inflow/(outflow) from financing activities		**298,589**	(272,702)	**(15,690)**	(76,187)
Net increase / (decrease) in cash and cash equivalents before effect of exchange rate changes		**24,306**	(78,853)	**235**	(145)
Effect of exchange rate changes on cash and cash equivalents		**(4,379)**	(380)	**-**	-
Cash and cash equivalents at beginning of the year		**175,747**	254,979	**489**	634
Cash and cash equivalents at end of the year	8	**195,674**	175,746	**724**	489

Statements of Cash Flows

Figures in R `000	Notes	Group 2021	Group 2020	Company 2021	Company 2020

** The prior year value relates to the portion of the pre acquisition dividend paid to the former shareholders of 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.*

Accounting Policies

1. Accounting policies

1 (a) General information

ACT Healthcare Assets (Pty) Ltd (the “Company”), together with its subsidiaries (together forming the “Group”), is a private company operating in the healthcare fund management sector and associated industries. The Company’s main business is to provide resources for the acquisitions, capital expending and the expansion of AfroCentric Investment Corporation Limited and its subsidiaries.

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 24 February 2022.

(i) Statement of compliance

The Company and the Group Annual Financial Statements were prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS") and interpretations issued in accordance to the International Financial Reporting Interpretations Committee (IFRIC). These Annual Financial Statements have been issued in accordance with the requirements of 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 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.

Accounting policies continued...

(iii) International Financial Reporting Standards and amendments effective for the first time for 30 June 2021 year-ends

IFRS	Effective date	Executive summary
IFRS 3 Business Combinations	Annual periods beginning on or after 1 January 2020	Definition of Business: The amendments: • confirm that a business must include inputs and a process, and clarify that: – the process must be substantive; and – the inputs and process must together significantly contribute to creating outputs. • narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and • add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The standard is not expected to have a material impact on the Group.
IFRS 7 Financial Instruments: Disclosures	Annual periods beginning on or after 1 January 2020	Interest Rate Benchmark Reform: The amendments to IFRS 9, IAS 39 and IFRS 7 amend requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. • The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. • In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. 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 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.

Accounting Policies

Accounting policies continued...

IFRS 9 Financial Instruments	Annual periods beginning on or after 1 January 2020	Interest Rate Benchmark Reform: The amendments to IFRS 9, IAS 39 and IFRS 7 amend requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. • The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. • In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The standard is not expected to have a material impact on the Group.
IFRS 16 Leases	Annual periods beginning 1 June 2020 (The exemption was extended by one year with effect from 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. 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 2020	Definition of Material: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The standard is not expected to have a material impact on the Group.

Accounting Policies

Accounting policies continued...

(iv) International Financial Reporting Standards, interpretations and amendments issued but not effective for 30 June 2021 year-ends

IFRS	Effective date	Executive summary
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
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. The standard is not expected to have a material impact on the Group.
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 is not expected to 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 is not expected to have a material impact on the Group.

Accounting Policies

Accounting policies continued...

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.
	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 16 Leases	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 is not expected to have a material impact on the Group.
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

Accounting Policies

Accounting policies continued...

		• 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 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	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.
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.

Accounting Policies

Accounting policies continued...

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.

Accounting Policies

Accounting policies continued...

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

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

In the Company financial statements, the investment in associates is recognised at cost.

At Group, the investments in associates 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. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

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 equals or exceeds its interest in the associate, 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.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate 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 associate are recognised in the Group's Financial Statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Accounting Policies

Accounting policies continued...

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.

(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.

1 (d) Property, plant and equipment

Property, office equipment, motor vehicles, furniture and fittings, computer equipment and building infrastructure 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.

Accounting Policies

Accounting policies continued...

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
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 plant 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 plant 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 the initial measurement.

(ii) Subsequent measurement

An investment property is subsequently measured at fair value per IAS 40 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 6.1 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.

Accounting policies continued...

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	2 to 5 years
Goodwill	Indefinite
Pharmaceutical dossiers	10 to 20 years

(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.

Accounting Policies

Accounting policies continued...

(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 will be 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 are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (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.

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.

Accounting policies continued...

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)
- 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 company 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
- 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.

Accounting policies continued...

(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.

Accounting policies continued...

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.

(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.

Accounting policies continued...

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 2020 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.

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.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 8.3 for further details.

1 (j) Contingent liabilities

Contingent liabilities have been recognised as part of business combinations. 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.

Accounting Policies

Accounting policies continued...

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 32.

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".

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.

Accounting Policies

Accounting policies continued...

(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 20). 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 when the amount can be measured reliably, and it is probable that the future economic benefits will flow to the entity.

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

(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 period between transfer of goods and or services and payment is less than a year and as such, financing component is deemed immaterial and consideration is not adjusted.

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.

Accounting Policies

Accounting policies continued...

Type of products/ service	**Nature and timing of satisfaction of performance obligations, including significant payment terms**	**Revenue recognition under IFRS 15**
Admin health and healthcare insurance.	Administration of the fund/scheme, which could include processing claims, collecting payments, maintaining records, member administration	The customer benefits as AfroCentric provides the service, thus revenue should be 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. 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.
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 pharmaeutical 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 should be 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. 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 should therefore be recognised at a point in time.

Accounting Policies

Accounting policies continued...

Managed healthcare	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 should be recognised over time. Additional once-off services which are performed would result 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. 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.
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.
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.

Accounting Policies

Accounting policies continued...

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.
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.	The customer benefits as AfroCentric provides the service, thus revenue should be recognised over time. Additional once-off services which are performed would result 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. Payments occur 30 days from statement date.

(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).

(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.

Accounting policies continued...

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% (15% prior 22 February 2017). 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.

Accounting Policies

1(q) Dividends

Dividends are recorded in the Group’s Annual Financial Statements in the period in which they are approved.

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 (Pty) Ltd has a financial year-end of 30 June with a Scheme's benefit year from 1 Jan to 31 Dec 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 Jan to Jun that will come through in the period Jul to Dec.

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.

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:

Accounting Policies

Critical accounting estimates and assumptions continued...

2 (a) Impairment of goodwill

The carrying amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the CGUs has been determined based on value-in-use calculation, being the net present value of the discounted cash flows of the CGU less the tangible net asset value of that CGU. Details of the main assumptions applied in determining the net present value of the CGU are provided in Note 7 in these Annual Financial Statements.

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 2021 was R698 million (June 2020: R487 million) and R2 783 million (June 2020: R2 695 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 6.2 in these Annual Financial Statements.

2 (e) Deferred tax assets

The deferred tax assets include an amount of 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.

(i) Litigation liability

When AfroCentric Investment Corporation Limited acquired AfroCentric Health (RF) Proprietary Limited (AHL), AHL had an at acquisition contingent liability to the value of R83.5 million. The directors estimated the fair value of the contingent liability to be R8.35 million, and recognised an at-acquisition liability in line with IFRS 3 Business Combinations.

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

Critical accounting estimates and assumptions continued...

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) Principal versus agent

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.

2 (j) 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.

Figures in R `000

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 and Eswatini as the currencies of these countries are fixed to the South African Rand.

Cash flows from the Group's other foreign investments (Botswana, Mauritius, Kenya and Zimbabwe) bear foreign exchange risk. The most significant exposure is to the Mauritian Rupee, the Botswana Pula, the Zimbabwean RTGS and the US Dollar. The impact of foreign exchange risk on profit and loss amounted to R 4 379 000 loss in the 2021 financial year (2020: R380 000 loss). The Group exited the Zimbabwean operation during the current financial year. Refer to Note 15 for the details of the disposal.

The Group manages its currency risk by minimising foreign exposure.

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

	Group			
	2021		2020	
	Spot rate	Average rate	Spot rate	Average rate
Mauritian Rupee	**0.333**	**0.385**	0.422	0.417
Botswana Pula	**1.319**	**1.383**	1.484	1.401
RTGS	**0.180**	**0.206**	0.303	0.707
US Dollar	**14.310**	**15.315**	17.129	15.678

Financial risk management continued...

(ii) Cash flow and fair value interest rate risk

The Group is exposed to downside 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 markets participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systematic 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.

	Group		Company	
Instruments exposed	**Increase in 2% on statement of comprehensive income R'000**		**Increase in 2% on statement of comprehensive income R'000**	
	2021	**2020**	**2021**	**2020**
Bank balances and short-term investments	**6,380**	8,294	**26**	15
Borrowings	**(11,279)**	(10,739)	**-**	-
Total	**(4,899)**	(2,445)	**26**	15

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Financial risk management continued...

	Decrease in 2% on statement of comprehensive income R'000		Decrease in 2% on statement of comprehensive income R'000	
	2021	**2020**	**2021**	**2020**
Bank balances and short-term investments	**(6,380)**	(8,294)	**(26)**	(15)
Borrowings	**11,279**	10,739	**-**	-
Total	**4,899**	2,445	**(26)**	(15)

Under these assumptions, a 2% increase in market interest rates at 30 June 2021 would decrease Group profit before tax by approximately R4 850 000 (June 2020: R2 445 000 decrease) and Company profit before tax would increase by approximately R48 000 in June 2021 (June 2020: R15 000).

A decrease of 2% in market interest rates at 30 June 2021 would increase Group profit before tax by approximately R 4 850 000 (June 2020: R2 445 000 increase) and Company profit before tax would decrease by approximately R48 000 in June 2021 (June 2019: R15 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 with a minimum rating of “BBB” 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, historic credit losses have been minimal for Group and Company. Credit risk is assessed as low ('where the credit risk rating assigned is equivalent to the globally understood definition of investment grade').
Default is defined as any amounts which have been outstanding for a period of at least 90 days past their due dates.

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.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Financial risk management continued...

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

The Group uses an allowance matrix to measure the ECL of 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.

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.

Financial risk management continued...

The following table provides information about the exposure to credit risk and ECL for trade receivables from individual customers as at 30 June 2021. 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 2021	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**	

**The increase was largely due to the expected credit loss for amounts receivable from government. The estimated loss rate increased from 1.4% in the prior year to 24% of the total amount receivable as at reporting date. The increase was as a result of the delayed payments which occured during the financial year.*

30 June 2020	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.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Financial risk management continued...

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.

(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.

Financial risk management continued...

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 2021 - Group								
Trade and other payables (Note 8.6)	**(416,361)**	**(11,884)**	**-**	**-**	**-**	**-**	**-**	**(428,245)**
Lease liability (Note 8.11)	**(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 8.12)	**(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 (8.11)*	(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 8.12)*	(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**	**-**	

**The line item has been disaggregated to present the contractual cash flows and the discounting impact. The cash flows have also been further disaggregated into 1-2 years, 2-5 years and 5 years+.*

Financial risk management continued...

(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 2021, the Group’s and Company’s strategy, which was unchanged from 2020, was to maintain the gearing ratio within 0% to 15%.

It is further noted that the Group breached this range due to key investment made in the current financial period, namely DENIS Group in October (R170 million) and the Exeltis (Forrester) acquisition effective 1 August 2021 which entailed a R150 million loan advance in May 2021 to the sellers of Forrester, that was subsequently applied against the purchase price for the Forrester acquisition once the conditions for the acquisition were fulfilled. Refer to note 4 and 34 for further information. The overall financial position of the Group is sound and debt covenants to Nedbank have not been breached, with sufficient headroom. The Group will continue to use available cash resources to reduce the loan balances, with R120 million capital repayments expected in the 2022 financial period. The capital repayments and equity growth from the acquisitions are expected to contribute to the restoring of the gearing ratio to the Group within target in the medium term.

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.

	2021 R'000	2020 R'000
Net debt	580,111	210,565
Total equity	3,295,483	3,137,322
EBITDA	1,061,699	885,756
Interest expense	58,475	77,826
Net debt to equity ratio	18%	6.7%
Net debt to EBITDA	0.55:1	0.43:1
Interest cover	18.16:1	11.38:1

4. Business Combination

a) Summary of acquisition

ACT Healthcare Assets (Pty) Ltd through its subsidiary Afrocentric Health (RF) Proprietary Limited ("AHL") has acquired 100% shareholding (which also represents equity voting rights) in the Dental Information Systems ("DENIS") Group of companies from EOH Health for the purchase price of R170 million. DENIS Group of companies specialise in dental management benefits management.

The transaction will enable the Group to focus on innovation and efficiency management in dental treatment offerings to all South African medical schemes and their members. The purchase consideration for Denis was R170 million in cash. The acquisition date is 01 October 2020.

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

	R'000
Purchase consideration	
Cash	170,000
Total purchase consideration	**170,000**

DENIS has been accounted for using the acquisition method of accounting, which requires that the assets and liabilities of DENIS be measured at fair value as at 1 October 2020.

		Total October 2020
Fair value of 100% net asset value at acquisition (assets)		**88,270**
Property, plant and equipment	71,017	
Intangible assets	17	
Investment in cell captive	17,669	
Other financial assets	205	
Deferred tax assets	25,076	
Trade and other receivables	14,893	
Cash and cash equivalents	84,791	
Trade and other payables	(31,088)	
Provisions	(66,555)	
Current tax	(27,755)	
Customer relationships		65,017
Deferred tax		(18,205)
Fair value of 100% net asset value at acquisition (including intangible assets)		135,082
Consideration for Denis Group		170,000
Goodwill arising from acquisition*		**34,918**

**The goodwill arises from intergrated synergies that are established through the acquisition of DENIS Group which has been allocated to the healthcare administration cash generating business unit. It will not be deductible for tax purposes.*

There were no acquisitions in the year ended 30 June 2020.

Business Combination continued...

Revenue and profit contribution

The acquired business contributed revenues of R410 million and net profit of R21 million to the Group for the period 01 October 2020 to June 2021.

If the acquisition had occured on 01 July 2020, consolidated pro-forma revenue and profit for the year ended 30 June 2021 would have been R546 million and R28 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 adjustments to intangible assets had applied from 01 July 2020, together with the consequential tax effects.

b) Purchase Considerations-cash outflow

Outflow of cash to acquire subsidiary, net of cash acquired	**2021**
	R'000
Cash consideration	**170,000**
Less: Cash balances acquired	
Cash	**(84,791)**
Net outflow of cash-investing activities	**85,209**

Acquisition-related costs:

Acquisition-related costs of R0.6m are included in other expenses in the statement of profit and loss and in operating cash flows in the statement of cash flows.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

5. Property, equipment and right of use asset

5.1 Property and equipment

	Land and building	Equipment	Motor vehicles	Furniture and fittings	Computer equipment	Total
Reconciliation for the year ended 30 June 2021 - Group						
Balance at 1 July 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**
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, plant 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**
Reconciliation for the year ended 30 June 2020 - Group						
Balance 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	**186,722**	**55,185**	**10,186**	**64,379**	**100,086**	**416,558**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Property, equipment and right of use asset continued...

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)**
Disposals	-	(12,230)	(220)	(1,839)	(4,767)	**(19,056)**
Property, plant 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**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Property, equipment and right of use asset continued...

5.2 Right of use asset

The Company has not entered into any leases. The right of use assets arose from leases entered into by the subsidiaries within the Group.

	Group R'000
Year ended 30 June 2021	
Opening carrying amount	**234,980**
Additions	**21,250**
Modifications/Disposals	**(12,723)**
Depreciation charge	**(66,583)**
Closing carrying amount	**176,924**
At 30 June 2020	
At cost	381,710
Accumulated depreciation	(204,786)
Closing carrying amount	**176,924**
Year ended 30 June 2020	
Opening carrying amount	290,136
Additions	18,182
Disposals	(1,146)
Lease modifications	(411)
Depreciation charge	(71,781)
Closing carrying amount	234,980
At 30 June 2020	
At cost	384,264
Accumulated depreciation	(149,284)
Closing carrying amount	**234,980**

6. Investment property

6.1 Balances at year end and movements for the year

	Group 2021	Group 2020	Company 2021	Company 2020
Balance at the beginning of the year at fair value	**15,418**	15,418	-	-
Fair value adjustment	**(7,653)**	-	-	-
Balance at the end of the year at fair value	**7,765**	15,418	**-**	**-**

Investment property continued...

6.2 Fair value measurements

Investment property consists of land; portion 108 (a portion of portion 27) of the farm Weltevreden 202 Roodepoort, South Africa. It is held for capital appreciation.

The valuation was prepared by an independent valuer, J van der Hoven in May 2021, 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.

Based on the 2021 property valuation report, the fair value of the land based on the de-zoning and a reduction in land use rights is R7,8million. A fair value loss has thus been incurred.

Investment property continued...

6.3 Recognised fair value measurements

Fair value hierarchy

The following hierarchy is used to classify 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):

	Investment property R'000
Opening balance	**15,418**
Acquisition through business combinations	-
Additions	-
Fair value gains/(losses)	**(7,653)**
Closing balance	**7,765**

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.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Investment property continued...

Description	Fair value at 30 June 2021 R'000	Unobservable inputs	Input value used	Sensitivity of unobservable inputs on profit and loss
Investment property	7,765	Price per block building rights per square metre	R453	If the fair value per square metre increased by 10% then the value of the property would increase by R776 500 in profit or loss. If the fair value per square metre decreased by 10% then the value of the property would decrease by R776 500 in profit or loss.

Figures in R `000

7. Intangible assets

	Brands and intellectual property	Pharmaceutical dossiers**	Internally generated software	Computer software	Goodwill	Customer relationships	Total
Reconciliation for the year ended 30 June 2021 - Group							
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**
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**

Figures in R `000

Intangible assets continued...

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	**6,292**	**266,313**	**783,993**	**205,676**	**1,407,497**	**113,095**	**2,782,866**

** The recognition of goodwill (R34.9 million) and customer relationships (R65 million) is as a result of the business combinations in the current 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 current year an impairment loss was recognised for Schema6 (R6.1million) 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, as the company is incurring losses and the recoverable amount was calculated to be Rnil. As such the recoverability of the goodwill cannot be substantiated.*

***** The prior year accumulated amortisation and impairment has been disaggregated to separately disclose the accumulated amortisation from the accumulated impairment.*

Reconciliation for the year ended 30 June 2020 - Group	**Brands and intellectual property**	**Pharma-ceutical dossiers***	**Internally generated software**	**Computer software**	**Goodwill**	**Customer relationships**	**Total**
At 30 June 2019							
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**

Figures in R `000

Intangible assets continued...

At 30 June 2020							
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**

** 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.*

*** The previous year R2.9 million in respect of the Solatium 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.*

**** The prior year accumulated amortisation and impairment has been disaggregated to separately disclose the accumulated amortisation from the accumulated impairment.*

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Intangible assets continued...

	Group 2021	Group 2020	Company 2021	Company 2020
A summary per CGU of the goodwill allocation is presented below:				
Healthcare administration SA CGU	**493,363**	459,216	-	-
Medscheme - healthcare administration	**274,972**	274,972	-	-
Medscheme – health risk management	**89,298**	89,298	-	-
Aid for AIDS Management Proprietary Limited – healthcare administration	**23,490**	23,490	-	-
Allegra Proprietary Limited – healthcare IT support	**1,268**	1,268	-	-
AfroCentric Distribution Services Proprietary Limited – healthcare marketing support	**835**	835	-	-
Klinikka Proprietary Limited – medical equipment supplier	**2,435**	2,435	-	-
Wellness Odyssey – healthcare wellness days	**14,857**	14,857	-	-
Tendahealth – healthcare insurance broker	**1,162**	1,162	-	-
Scriptpharm – chronic scripts claim	**2,699**	2,699	-	-
Essential Group – healthcare insurance	**9,333**	9,333	-	-
AfroCentric Integrated Corporate Solutions Group – healthcare administration	**38,096**	38,096	-	-
Workcare – healthcare administration	**-**	771	-	-
Denis Group	**34,918**	-		
Healthcare Africa CGU	**15,535**	15,535	-	-
Medscheme Mauritius Limited – local administration	**4,969**	4,969	-	-
Medscheme Mauritius Limited – international administration	**10,566**	10,566	-	-
Healthcare Retail SA CGU	**898,599**	898,599	-	-
Pharmacy Direct, Curasana and Glen Eden (PD, CS and GE)	**473,954**	473,954	-	-
Activo	**424,645**	424,645	-	-
Total	**1,407,497**	1,373,350	**-**	**-**

Intangible assets continued...

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 discount rate 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 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 7.25% as at 30 June 2021 (30 June 2020: 7.32%);
• A market risk premium of 7.8% (2020: 7.7%) is justified as the overall risk is to the downside; and
• The Beta is 0.91 as at 30 June 2021 (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 those CGUs that management considers the most significant to the Group

	Recoverable amount R'000	Discount rate	Forecast period	Average growth rate
2021				
Medscheme – admin and managed care	5,010,916	12.67	5 years	5 %
Activo	1,488,160	12.67	5 years	7 %
Pharmacy Direct, Curasana and Glen Eden	1,237,827	12.67	5 years	7 %
2020				
Medscheme – admin and managed care	4,746,798	13.16	5 years	6 %
Activo	941,072	13.16	5 years	7 %
Pharmacy Direct, Curasana and Glen Eden	1,243,246	13.16	5 years	7 %

Intangible assets continued...

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: » Average revenue increases in the forecast period have been muted with 4% growth expected in revenue. » 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 5% growth. Activo, Pharmacy Direct, Curasana and Glen Eden: » Average revenue increases in the forecast period is 7%. » The pharmaceutical related component yielded significant growth during the year, particularly during the stressful time under COVID-19. This included the increasing volume of activity in Pharmacy Direct. » The more heedful attention paid by patients reliant on chronic medication during lockdown, not least an obvious desire to stay healthy in general, the convenience of Group deliveries during lockdown, at work or home, proved extremely valuable to those dependent on their chronic medications and other requirements. » The trends experienced are expected to continue in the forecast period. This, together with the cost efficiency embarked on, resulted in a growth rate of 7% 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.

Intangible assets continued...

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

				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	**Discount rate**	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		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

(i) Impairment assessment

During the period under review, management embarked on a process of assessing the internally generated intangible assets for potential impairment. Following from this process, an impairment loss was recognised for the following system:

» 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 will come to an end of March 2022, resulting in the system not being available for continued use. As a result of this, it is expected that cash flows generated from the schemes for use of the Fraud Management Software (IFM System) will cease from January 2022.

» In the 2019 financial period, an impairment loss of R47 million was recognised as a result of the recoverable amount of the Gexus system being lower than the carrying value. This internally generated software is used to administer a portion of our managed care business and forms part of the Group's IT segment assets. In the 2021 financial period, key managed care contracts were procured by AfroCentric resulting in the recoverable amount (calculated based on value in use) in excess of R195 million. An impairment reversal of R39 million has been recognised in the current financial period, to restore its carrying value to what it would have been, had there been no impairment raised in 2019, in line with IAS 36.

The value in use has been calculated using a discount rate of 12.75% (12.59% in 2020).

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

8. Financial instruments

8.1 Financial instruments by category

Financial assets	At fair value through profit or loss R'000	At amortised cost R'000
Year ended 30 June 2021 - Group		
Investment in holding company (Note 8.9)	8,840	-
Other investments (Note 14)	178,905	-
Loan to holding company (Note 8.8)	-	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 - Group		
Investment in holding company (Note 8.9)	7,380	-
Other investments (Note 14)	3,711	-
Loan to holding company (Note 8.8)	-	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**

Financial assets	At fair value through profit or loss	At amortised cost R'000
Year ended 30 June 2021 - Company		
Loan to group companies (Note 8.7)	-	64,654
Trade and other receivables (Note 8.4)	-	38
Cash and cash equivalents (Note 8.5)	-	724
	-	**65,416**
Year ended 30 June 2020 - Company		
Trade and other receivables (Note 8.4)	-	10,038
Cash and cash equivalents (Note 8.5)	-	489
	-	**10,527**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Financial instruments continued...

Financial liabilities

8.2 Financial liabilities by category

	At amortised cost	Total
Year ended 30 June 2021 - Group		
Lease liability (note 8.11)	220,117	**220,117**
Borrowings (Note 8.12)	775,785	**775,785**
Trade and other payables excluding non-financial liabilities (Note 8.6)	425,909	**425,909**
Year ended 30 June 2020 - Group		
Lease liability (note 8.11)	278,282	**278,282**
Borrowings (Note 8.12)	386,311	**386,311**
Trade and other payables excluding non-financial liabilities (Note 8.6)	361,414	**361,414**
Year ended 30 June 2021 - Company		
Loan from group company (Note 8.7)	51,382	**51,382**
Year ended 30 June 2020 - Company		
Loan from group company (Note 8.7)	2,418	**2,418**

Financial instruments continued...

8.3 Trade receivables

Ageing of trade and other receivables

	Current R'000	30 days R'000	60 days R'000	90+ days R'000	Total R'000
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**
Past due trade receivables*	**-**	**-**	**12,105**	**27,248**	**39,353**
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
Past due trade receivables*	-	-	14,939	44,911	59,850
Other receivables	2,837	3,278	-	-	6,115
Sundry debtors	38,629	615	-	-	39,244
Deposits	-	-	-	7,094	7,094

** This balance is included within Net trade debtors and reflects balances identified by AfroCentric that are past due.*

Figures in R `000

Financial instruments continued...

	Group 2021	Group 2020	Company 2021	Company 2020
Disclosure of trade debtors				
Gross trade debtors	**405,917**	448,874	-	-
Loss allowance for trade receivables as above	**(18,112)**	(35,262)	-	-
Net trade debtors	**387,805**	413,612	-	-

	Group 2021	Group 2020	Company 2021	Company 2020
Movement in the loss allowance for trade receivables are as follows:				
At the beginning of the year	35,262	30,041	-	-
Increase in loss allowance recognised in profit or loss during the year	2,009	5,221	-	-
Written off during the year	(18,453)	-	-	-
At the end of the year	**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 2021 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 and average prime lending 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.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Financial instruments continued...

8.4 Trade and other receivables

	Group 2021	Group 2020	Company 2021	Company 2020
Trade debtors	**387,805**	413,612	-	-
Sundry debtors	**41,808**	39,244	-	10,038
Prepayments*	**41,093**	39,818	-	-
Deposits	**7,690**	7,094	-	-
Other receivables	**16,100**	6,115	-	-
Value added tax	**38**	38	**-**	-
Total trade receivables	**494,534**	505,921	**-**	10,038

** Prepayments are not financial instruments but are included in trade and other receivables.*

All receivables are current. 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.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Financial instruments continued...

8.5 Cash and cash equivalents

	Group 2021	Group 2020	Company 2021	Company 2020
Cash at bank and short-term deposits				
Ba2 – FNB Limited**	**7,270**	16,329	**-**	-
AA – Bank Windhoek Limited	**22,681**	18,691	**-**	-
Ba2 – Nedbank Limited**	**161,095**	136,691	**724**	489
Ba2 – Standard Bank Limited**	**2,248**	1,800	**-**	-
BBB+ – Sasfin Limited*	**-**	93	**-**	-
zaA+ – Sanlam Limited*	**-**	2,142	**-**	-
Ba2 - Absa Bank Limited**	**1,362**	-	**-**	-
A3 - CitiBank Limited	**1,018**	-	**-**	-
Total cash at bank and short-term bank deposits	**195,674**	175,746	**724**	489

** 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 Sasfin Limited and Bank Windhoek Limited were obtained from Global Credit Rating Company.

The rating for Sanlam Limited was obtained from Standard & Poor's.

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.
BBB	Adequate protection factors relative to other issuers or obligators in the same country. However, there is considerable variability in risk during economic cycles.
Ba2	Obligations rated Ba2 are judged to have speculative elements and are subject to substantial credit risk.

	Group 2021	Group 2020	Company 2021	Company 2020
Cash	**152,331**	126,075	**724**	489
Short term deposits*	**43,343**	49,671	-	-
	195,674	175,746	**724**	489

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

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Financial instruments continued...

8.6 Trade and other payables

	Group 2021	Group 2020	Company 2021	Company 2020
Trade payables*	**272,030**	234,145	-	-
Payroll creditors	**48,174**	19,727	-	-
Accruals***	**56,420**	63,406	286	216
Shareholders for dividends	**8,905**	1,103	-	-
Other payables*	**38,361**	41,013	**-**	-
Inseta funding	**-**	1,982	-	-
Provisions	**2,373**	-	-	-
IBNR Provision**	**19,792**	-	-	-
Total trade and other payables	**428,245**	361,376	**286**	**216**

** 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.*

***The IBNR provision originated as a result of the acquisition of Denis Group, which carries a provision for dental claims incurred but not received.*

****The audit provision has been reclassified to accounts payable in the current financial period.*

8.7 Loans to / (from) group companies

Loans to / (from) group companies comprise the following balances:

	Group 2021	Group 2020	Company 2021	Company 2020
AfroCentric Health (RF) Proprietary Limited*	-	-	**64,654**	(2,418)
Dental Information Systems Proprietary Limited*	-	-	**(36,055)**	-
Scriptpharm Risk Management Proprietary Limited*	-	-	**(15,327)**	-

**The loans are unsecured, bare interest and payable on demand.*

	Group 2021	Group 2020	Company 2021	Company 2020
Current assets	-	-	**64,654**	-
Current liabilities	-	-	**(51,382)**	(2,418)
	-	-	**13,272**	(2,418)

8.8 Loans to holding company

Loans to holding company comprise the following balances:

	Group 2021	Group 2020	Company 2021	Company 2020
AfroCentric Investment Corporation Limited	**42,555**	29,958	-	-
Current Assets	**-**	29,958	**-**	-
Non-current assets	**42,555**	-	**-**	-

The loan with AfroCentric Investment Corporation Limited is unsecured, bears interest 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. Prior year loan did not have repayment terms.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Financial instruments continued...

	Group 2021	Group 2020	Company 2021	Company 2020

8.9 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.

	Group 2021	Group 2020	Company 2021	Company 2020
1 999 999 shares @ 369 cents each	**7,380**	9,900	-	-
Fair value (loss)/gain	**1,460**	(2,520)	-	-
1 999 999 shares @ 442 cents each	**8,840**	7,380	**-**	**-**

Financial instruments continued...

8.10 Recognised fair value measurements

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 2021:

2021	**Group**			
	Level 1		**Level 2**	**Level 3**
Investment in holding company	**8,840**	-	-	-
	8,840	**-**	**-**	**-**

2020	**Group**		
	Level 1	**Level 2**	**Level 3**
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.

Notes to the Consolidated and Separate Financial Statements
Figures in R `000

Financial instruments continued...

	Group 2021	Group 2020	Company 2021	Company 2020
8.11 Lease liability				
Current liabilities	**63,764**	96,855	-	-
Non-current liabilities	**156,353**	181,427	-	-
Present value of finance lease obligations net of impairments	**220,117**	278,282	**-**	**-**

Movement in lease liability are as follows:

	June 2021 R'000	June 2020 R'000
At the beginning of the period	**278,282**	322,655
Lease liability recognised per IFRS 16	**-**	18,182
Acquired through business combinations	**17,707**	-
Disposals	**-**	(3,818)
Lease modification	**(4,987)**	(494)
Interest accrued	**21,292**	27,886
Lease payments made	**(92,177)**	(86,129)
Balance at the end of the year	**220,117**	278,282

	Group 2021	Group 2020	Company 2021	Company 2020
8.12 Borrowings				
Nedbank facility (1 year +)	**655,785**	266,311	-	-
Nedbank facility (0 - 1 year)	**120,000**	120,000	-	-
	775,785	386,311	**-**	**-**

Classification of borrowings

Amortised cost	**775,785**	386,311	-	-

Financial instruments continued...

Movement in borrowings are as follows:

	June 2021 R'000	June 2020 R'000
At the beginning of the period	**386,311**	491,566
Borrowings acquired during the period	**470,998**	50,000
Interest accrued	**30,699**	41,319
Interest repaid	**(30,699)**	(41,319)
Capital repaid	**(81,525)**	(155,255)
Balance at the end of the year	**775,784**	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. The carrying value approximates fair value as the interest charged on the borrowings is based on a market related rate.

Compliance with loan covenants

In April 2019, Nedbank issued a revolving loan facility totalling R900 million (of which R776 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 entity is a fund administration company which offers medical administration and disease management. The investment held is in line with the Group strategic objective.

During the current 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 current financial year, the Group (through its subsidiary FastPulse Employee Solutions Pty (Ltd)) acquired 49% shareholding in Warona Health Services Proprietary Limited in terms of a joint venture agreement.

	Group		Company	
	June 2021 R'000	June 2020 R'000	June 2021 R'000	June 2020 R'000
Carrying value of investment in associate	**31,541**	33,307	-	-
Carrying value of investment in joint venture	**55**	-	-	-
	31,596	33,307	-	-

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Investments in associates and joint ventures continued...

Details of the Group's associates at the end of the reporting period are as follows:

30 June 2021

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

30 June 2020

	Reporting date	Number of shares held*	Percentage holdings	Nature of relationship	Opening carrying amount R'000	Share of after tax profit/(losses) R'000	Dividends received/paid R'000	Additions/ (Disposals)	Closing carrying amount R'000
Associated Fund Administrators Botswana Proprietary Limited	30 September	4 175 067*	49%	Associate	29,943	7,990	(4,626)	-	33,307

**The prior year number of shares has been aligned with the number of shares as disclosed on the sale of shares agreement for the disposal of the 9% shareholding in the current year.*

Investments in associates and joint ventures continued...

Summarised financial information of Associated Fund Administrators Botswana Proprietary Limited

	Group	
	June 2021 R'000	**June 2020 R'000**
Non-current assets (excluding intangible assets)	**11,996**	2,781
Intangible assets	**320**	520
Current assets	**59,356**	51,600
Total assets	**71,672**	54,901
Non-current liabilities	**9,603**	-
Current liabilities	**15,869**	11,443
Total liabilities	**25,472**	11,443
Net assets	**46,200**	43,458
Revenue	**105,760**	100,582
Profit or loss from continuing operations	**18,970**	16,305
Total comprehensive income attributable to ordinary shareholders	**18,970**	16,305
Net profit for the year	**18,970**	16,305

10. Investments in subsidiaries

	Company	
	June 2021 R'000	**June 2020 R'000**
AfroCentric Health (RF) Proprietary Limited	**530,522**	530,522
Pharmacy Direct Proprietary Limited, Curasana Wholesaler Proprietary Limited and Glen Eden Trading 58 Proprietary Limited*	**580,483**	580,483
Activo Health Proprietary Limited	**758,109**	758,109
Scriptpharm Risk Management Proprietary Limited**	**22,700**	2,700
Dental Information Systems Proprietary Limited***	**170,000**	-
Unlisted investments at cost	**2,061,814**	**1,871,814**

**Glen Eden Trading 58 Proprietary Limited has been combined together with Pharmacy Direct Proprietary Limited and Curasana Wholesaler Proprietary Limited since they were acquired as a bundle.*

***During the current financial year, ACT Healthcare Assets (Pty) Ltd acquired the remaining 20% shareholding of Scriptpharm Risk Management Proprietary Limited*

****During the current financial year, ACT Healthcare Assets (Pty) Ltd acquired 100% shareholding of the Denis Group*

Name of subsidiary	Main business	Country of incorporation	Interest held (voting rights) %	Non-controlling interest (voting rights) %
2021				
Directly held				
AfroCentric Health (RF) Proprietary Limited	Healthcare administration	South Africa	100	
Glen Eden Trading 58 Proprietary Limited	Pharmaceutical	South Africa	100	
Pharmacy Direct Proprietary Limited	Pharmaceutical	South Africa	100	
Curasana Wholesalers Proprietary Limited	Pharmaceutical	South Africa	100	
Activo Health Proprietary Limited	Pharmaceutical	South Africa	100	
Mmed Distribution Proprietary Limited	Pharmaceutical	South Africa	70	30
Scriptpharm Risk Management Proprietary Limited	Pharmaceutical	South Africa	100	
Dental Information Systems Proprietary Limited	Healthcare administration	South Africa	100	
Indirectly held				
Medscheme Holdings Proprietary Limited	Healthcare administration	South Africa	100	

Figures in R `000

Investments in subsidiaries continued...

Name of subsidiary	Main business	Country of Corporation	Interest held (voting rights) %	Non controlling interest (voting rights) %
2020				
Directly held				
AfroCentric Health (RF) Proprietary Limited	Healthcare administration	South Africa	100	
Glen Eden Trading 58 Proprietary Limited	Pharmaceutical	South Africa	100	
Pharmacy Direct Proprietary Limited	Pharmaceutical	South Africa	100	
Curasana Wholesalers Proprietary Limited	Pharmaceutical	South Africa	100	
Activo Health Proprietary Limited	Pharmaceutical	South Africa	100	
Mmed Distribution Proprietary Limited	Pharmaceutical	South Africa	70	30
Scriptpharm Risk Management Proprietary Limited	Pharmaceutical	South Africa	80	20
Indirectly held				
Medscheme Holdings Proprietary Limited	Healthcare administration	South Africa	100	

The Company has assessed its investments in subsidiaries for impairment by comparing the carrying amount of the investments to the net asset value of the underlying entities. No indication of impairment was noted for the financial year.

11. Deferred tax

	Group 2021	Group 2020	Company 2021	Company 2020
Analysed in the statement of financial position, after offset of balances within companies, as follows:				
Deferred tax assets	**149,763**	151,407	-	-
Deferred tax liabilities	**(310,340)**	(326,341)	-	(556)
	(160,577)	(174,934)	**-**	(556)

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Deferred tax continued...

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

Group	Capital allowances R'000	Investment R'000	Provisions R'000	Prepayments R'000	Assessed loss* R'000	Business combinations R'000	Other **R'000	Total R'000
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)**
(Charged) / credited 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)**	**(55,530)**	**(310,340)**
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	-	(20,047)	(203)
Closing balance at 30 June 2020	**-**	**-**	**47,430**	**-**	**23,055**	**-**	**80,923**	**151,408**
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)**

** 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 assets and liabilities consist of deferred tax relating to the lease liability, right of use asset, capital losses and income received in advance.*

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Deferred tax continued...

Company	Investment R'000	Total R'000
Deferred tax liabilities		-
Opening balance at 1 July 2020	**(556)**	**(556)**
(Charged) / credited to profit or loss	556	556
Closing balance at 30 June 2021	**-**	**-**
Deferred tax assets		
Opening balance at 1 July 2019	(556)	(556)
(Charged) / credited to profit or loss	-	-
Closing balance at 30 June 2020	**(556)**	**(556)**

12. Inventory

	Group 2021	Group 2020	Company 2021	Company 2020
Finished goods*	**291,326**	200,261	-	-
Merchandise**	**133,190**	99,590	-	-
Merchandise provisions	**(2,953)**	(2,000)	-	-
Inventory on hand at year-end	**421,563**	297,851	**-**	**-**

** The Finished goods balance consists of the inventory at 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.*

13. Current tax assets and liabilities

Current tax assets and liabilities comprise the following balances	Group 2021	Group 2020	Company 2021	Company 2020
Net current tax asset from all items being set off	**-**	30	**-**	-
Current tax assets that cannot be set off	**31,485**	25,426	**-**	-
Total current tax asset per the statements of financial position	**31,485**	25,456	**-**	**-**
Net current tax liability from all items being set off	**-**	-	**-**	(19)
Current tax liabilities that cannot be set off	**(23,808)**	(33,086)	**(45)**	-
Total current tax liability per the statements of financial position	**(23,808)**	(33,086)	**(45)**	(19)

Figures in R `000

14. Other investments
Other investments comprise the following balances

	Group 2021	Group 2020	Company 2021	Company 2020
Investment in Venture Capital Funds	**8,394**	3,711	-	-
Investment in Cell Captive	**21,267**	-	-	-
Short-term loan	**149,244**	-	**-**	-
	178,905	3,711	-	-
Non-current assets	**29,661**	3,711	-	-
Current assets	**149,244**	-	**-**	-
	178,905	3,711	-	-

The investment vehicle for the venture capital funds have 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 investment held in the Guardrisk cell captive.

These investments are classified as financial assets and are measured at fair value through profit and loss due to it being equity investments.

The short-term loan relates to an interest free loan granted to Shelsley Proprietary Limited and is measured at fair value through profit and loss.

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:

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Other investments continued...

» 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 investments;

» 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 approximates the fair value of the assets.

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

	Level 3 R'000
Year ended 30 June 2021 - Group	
Unlisted Investment	**29,661**
Short-term loan	**149,244**
Year ended 30 June 2020 - Group	
Unlisted Investment	3,711

The table below presents the movements for the year:

	Group			
	Investment in venture capital Funds R'000	**Investment in Cell Captive R'000**	**Long-term loan R'000**	**Total R'000**
Balance at the beginning of the year	**3,711**	**-**	**-**	**3,711**
Acquisition 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 the end of the year	**8,394**	**21,267**	**149,244**	**178,905**

Valuation inputs and relationships to fair value

Investments in Venture Capital Funds and Investments in Cell Captive

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 investments, as management has deemed it representative of fair value.

Short-term loan receivable

The fair value of the short-term loan receivable is derived from amortised cost, calculated using the borrowing rate for a similar instrument in an arms-length transaction.

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

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Other investments continued...

Description	Fair value at 30 June 2021 R'000	Unobservable inputs	Input value used	Sensitivity of unobservable inputs on profit and loss
Investments in Cell Captive	**21 267**	Net assets value attributable to the investments	R21 267 000	As the input is used 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 instrument at arms-length	5.75%	If the borrowing rate decreased by 1 percent, the fair value will increase by R128 258. If the borrowing rate increases by 1 percent, the fair value will decrease by R126 942.

Valuation process

The finance department of the Group performs the valuation 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 result in a write off of the investment at that point in time.

15. Discontinued operations

The Group disposed of the following subsidiaries in the year of assessment:

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 Intergrated Health Risk Managers Proprietary Limited	2-Jul-20

Financial Information relating to the discontinued operations for the period to the date of disposal are set out below:

15.1 Profit (loss) from discontinued operations excluding gains and losses from measurement or disposal are as follows:

	Group	
	2021	**2020**
Revenue	**20,627**	22,054
Other income	**99**	386
Depreciation	**(135)**	(335)
Right of use asset depreciation	**(19)**	(755)
Amortisation	**(27)**	(62)
Expected credit loss allowance	**-**	(467)
Interest on lease liability	**(2)**	(47)
Other expenses	**(24,013)**	(29,643)
Reclassification of foreign currency translation reserve	**(10,401)**	-
Share based payment expense	**-**	(248)
Loss before tax	**(13,871)**	(9,117)
Income tax	**(137)**	995
Loss for the year	**(14,008)**	(8,122)
Exchange differences on translation of discontinued operations	**11,658**	(1,343)
Other comprehensive income from discontinued operations	**11,658**	(1,343)

Figures in R `000

Discontinued operations continued...

15.2 Cash flows from discontinued operations

Net cash flows from (used in) operating activities	**2,553**	(6,168)
Net cash flows from (used in) investing activities	**(3,862)**	5,220
Net cash flows from (used in) financing activities	**(768)**	5
	(2,077)	(943)

Proceeds on sale of subsidiaries	**-**	-
Less cash balances disposed	**(2,835)**	-
Net cash outflow on disposal of subsidiaries	**(2,835)**	-

15.3 Details of the sale of subsidiaries

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)**	-

Discontinued operations continued...

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

	Afrocentric Integrated Health Risk Managers	Medscheme Zimbabwe	Medscheme Administrators Eswatini	Medscheme Health Insurance Eswatini
	R'000	R'000	R'000	R'000
Property, plant and equipment	-	-	235	-
Intangible assets	-	-	3	-
Deferred tax assets	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
Loan to group companies	-	-	-	4,883
Total assets	819	1,930	11,510	8,250
Loan from group companies	-	-	4,883	-
Trade and other payables	188	904	-	3,109
Current tax liabilities	-	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

	Group 2021	Group 2020	Company 2021	Company 2020
16. Issued share capital				
Authorised:				
2 000 ordinary shares	2	2	2	2
	2	**2**	**2**	**2**
Issued:				
1 000 ordinary shares	1	1	1	1
- Closing balance	1	1	1	1

17. Share premium

Closing balance	1,131,143	1,131,143	1,131,143	1,131,143

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

18. Other reserves

	Group		
	Foreign currency translation reserve R'000	**Non-distributable reserve R'000**	**Total reserves R'000**
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)**

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

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

19. Non-controlling interest

	Group		Company	
	2021	**2020**	**2021**	**2020**
Balance at the beginning of the year	**75,495**	64,737	-	-
Dividend distributions (Note 30)	**(52,500)**	(21,354)	-	-
Non-controlling interest on disposal of subsidiaries	**(1,078)**	-	-	-
Non-controlling interest on change of ownership without loss of control	**(4,989)**	3,566	-	-
Share of net profit of subsidiaries	**31,022**	28,546	-	-
	47,950	75,495	**-**	**-**

Set out 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.

	Group	
	June 2021 R'000	**June 2020 R'000**
Summarised statement of financial position of Medscheme (Namibia) Proprietary Limited		
Current assets	34,640	26,582
Current liabilities	10,216	7,744
Current net assets	**24,424**	**18,838**
Non-current assets	43,821	38,819
Non-current liabilities	5,938	5,071
Non-current net assets	**37,883**	**33,748**
Net assets	**62,307**	**52,586**
Medscheme (Namibia) Proprietary Limited contribution towards group accumulated non-controlling interest	16,200	13,672
Summarised statement of comprehensive income		
Revenue	113,233	110,263
Profit for the period	28,720	35,377
Total comprehensive income	**28,720**	**35,377**
Medscheme (Namibia) Proprietary Limited contribution towards group total comprehensive income allocated to non-controlling interest.	7,467	9,198
Medscheme (Namibia) Proprietary Limited contribution towards group dividends paid to non-controlling interest	4,940	9,230
Summarised cash flows		
Cash flows from operating activities	33,613	39,471
Cash flows from investing activities	(11,566)	823
Cash flows from financing/ (utilised in) activities	(19,822)	(37,437)
Net increase/(decrease) in cash and cash equivalents	**2,225**	**2,857**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Non-controlling interest continued...

Transactions with non-controlling interests

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 R 4.9m 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.

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)**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

20. Provisions

Provisions for employee benefits

	Group		
	Leave pay*	**Bonuses***	**Total**
Balance at 30 June 2019	46,295	41,743	88,038
Charged/(credited) to the statement of comprehensive income:			
- additional provisions	108,150	104,384	212,534
- amounts reversed		(3,578)	(3,578)
Utilised during the year	(109,129)	(85,089)	(194,218)
Balance at 30 June 2020	**45,316**	**57,460**	**102,776**
Take on balance	**2,386**	**9,421**	**11,807**
Charged/(credited) to the statement of comprehensive income:			
- additional provisions	**70,253**	**124,562**	**194,815**
- amounts reversed	**-**	**(698)**	**(698)**
Utilised during the year	**(68,827)**	**(109,257)**	**(178,084)**
Balance at 30 June 2021	**49,128**	**81,488**	**130,616**

** 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.*

** The audit provision have been reclassified to accounts payable in the current financial period.*

21. 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 2021 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.

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

	Group 2021	Group 2020
The principal actuarial assumptions used were as follows:		
*Discount rate	**7.62% p.a.**	7.20% p.a.
Post-retirement mortality	**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.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Post-employment medical obligations continued...

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

Explanatory factor		**R'000**
1	Change in discount rate	(41)
2	Actual vs expected membership profile	(138)
Total remeasurements		**(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 R41 000.

2 The actual membership changes relative to that expected resulted in a decrease in the total accrued liability of R138 000.

Annual expenses

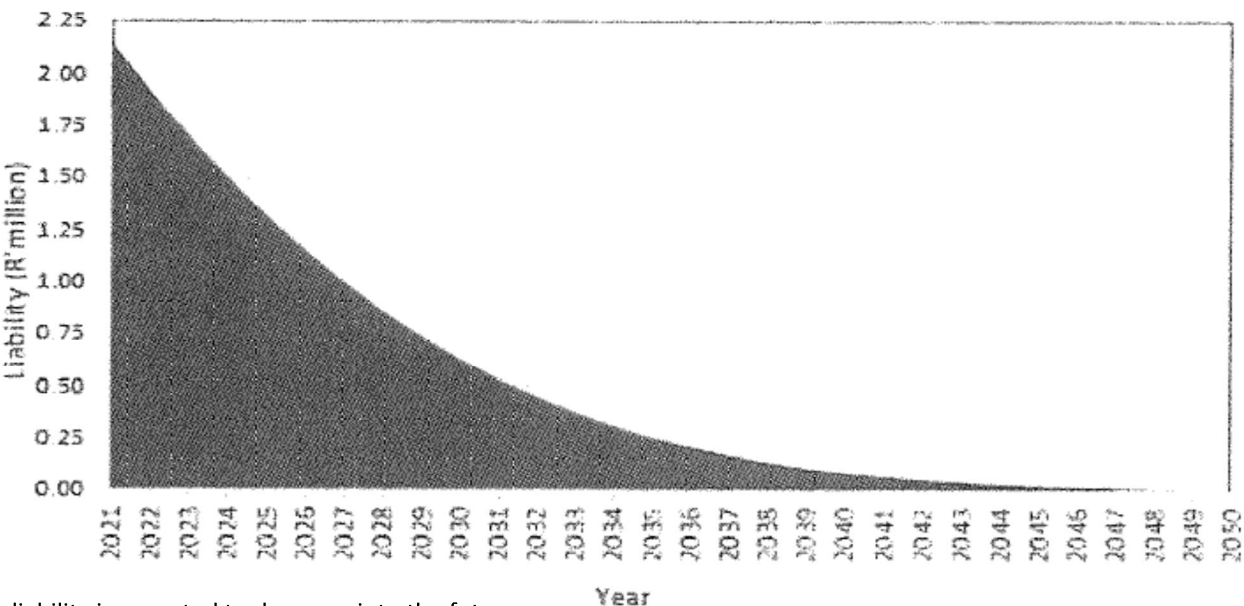
The table below compares Medscheme's budgeted annual expenses for the years ending 30 June 2021 and 30 June 2022.

Expense item	**Year ended 30 June 2022**	**Year ended 30 June 2021**
Service cost	-	-
Interest cost	147	170
Annual expense	**147**	**170**
Employer benefits payments	(379)	(447)
Expected change in accrued liability (excluding remeasurements)	**(232)**	**(277)**

The liability is expected to decrease by R232,000 to 30 June 2022

Liability lifetime

The graph below shows how the liability is expected to progress over its lifetime



The liability is expected to decrease into the future.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Post-employment medical obligations continued...

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	+4.2%	+4.6%
	PA(90)-1 with an annual improvement of 1.00% from 2006	-4.1%	-4.5%
Discount rate	1%	-4.2%	+7.9%
	-1%	+4.6%	-8.7%

Sensitivities and Impact on Defined Benefit Obligation 'DBO'

Discount rate	**Increase to 8.62%**	**Decrease to 6.62%**
Increase (decrease) in the defined benefit obligation	(R90,014)	R98,436
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	R42,083	(R41,617)
Average life expectancies of females	**Increase of one year**	**Decrease of one year**
Increase (decrease) in the defined benefit obligation	R46,678	(R46,078)

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

22. Leases

	Group 2021	Group 2020	Company 2021	Company 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 asset	**176,924**	234,980	-	-
Non-current liabilities				
Lease liabilities	**156,353**	181,427	-	-
Current liabilities				
Lease liabilities	**63,764**	96,855	-	-
Amounts recognised in statement of profit or loss				
Depreciation	**66,564**	70,930	-	-
Interest expense	**21,420**	27,772	-	-
Expense relating to short-term leases	**1,528**	12,332	-	-

The total cash outflow for leases in 2021 was 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.

23. Revenue

23.1 Revenue comprises:

	Group 2021	Group 2020	Company 2021	Company 2020
Revenue from sale of goods	**2,437,065**	1,884,589	-	-
Administration fees	**1,553,456**	1,552,055	-	-
Health risk management fees - Medical aid schemes	**1,427,354**	1,218,151	-	-
Health risk management fees - Capitation funds	**1,877,580**	1,011,817	-	-
Management fees	**4,053**	21,926	-	-
IT revenue and other	**657,364**	496,999	-	-
Marketing fees	**194,840**	209,757	-	-
Healthcare insurance	**38,096**	28,023	-	-
Revenue from performance of services	**5,752,743**	4,538,728	-	-
Total revenue from contracts with customers	**8,189,808**	6,423,317	**-**	**-**

23.2 Sources of revenue

	Group 2021	Group 2020	Company 2021	Company 2020
Contracts with customers	**8,189,808**	6,423,317	-	-

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Revenue continued...

23.3 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.

	Administration fees R'000	Health risk management fees - Medical aid schemes R'000	Management fees R'000	Healthcare insurance R'000	IT revenue and other R'000	Retail R'000	Health risk management fees - Capitation funds R'000	Marketing fees R'000	Group total R'000
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
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

ACT Healthcare Assets (Pty) Ltd

(Registration Number 2008/025969/07)

Consolidated and Separate Financial Statements for the year ended 30 June 2021

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Revenue continued...

	Administration fees R'000	Health risk management fees - Medical aid schemes R'000	Management fees R'000	Healthcare insurance R'000	IT revenue and other R'000	Retail R'000	Health risk management fees - Capitation funds R'000	Marketing fees R'000	Group total R'000
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
Africa	159,462	16,057	5,606	11,250		-	-	-	181,125
	1,552,055	**1,218,151**	**21,926**	**39,273**	**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**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Revenue continued...

23.4 Contract balances

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

	Group 2021	Group 2020	Company 2021	Company 2020
Trade receivables	**405,917**	448,874	-	-
Trade receivables impairment	**(18,818)**	(35,262)	-	-
	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.

24. Cost of pharmaceutical products and finished goods

	Group 2021	Group 2020	Company 2021	Company 2020
Opening inventory	**297,851**	283,732	-	-
Purchases	**1,933,318**	1,431,326	-	-
Closing inventory	**(421,563)**	(297,851)	-	-
	1,809,606	1,417,207	**-**	**-**
Cost of distribution of pharmaceutical products	**95,991**	72,561	-	-
	1,905,597	1,489,768	**-**	**-**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

25. Profit before taxation

	Group 2021	Group 2020	Company 2021	Company 2020
Profit before taxation is stated after charging/(crediting) the following items:				
Auditors' remuneration (included in "other expenses")	**16,452**	13,914	**318**	**-**
Audit fees	**16,452**	13,693	**318**	461
Prior period under provision	**-**	221	-	-
Depreciation of property, plant and equipment	**78,202**	62,374	**-**	**-**
Motor vehicles	**4,534**	3,626	-	-
Computer equipment	**42,446**	31,234	-	-
Buildings	**5,587**	4,601	-	-
Furniture and fittings	**15,560**	14,368	-	-
Property and equipment	**10,075**	8,545	-	-
Amortisation of development costs and other intangible assets	**195,027**	162,909	-	-
Right of use asset depreciation	**66,564**	70,930	-	-
Bad debt write-off	**8,705**	2,454	-	-
Expected credit loss allowance	**2,009**	3,686	-	-
Rentals (included in "rent and property costs")	**77,857**	87,061	-	-
Short-term building leases	**11,945**	4,326	-	-
Other building-related expenses	**64,384**	70,404		
Motor vehicles	**200**	318	-	-
Office equipment and furniture	**1,328**	12,013	-	-
Repairs and maintenance (included in "rent and property costs")	**13,057**	6,235	-	-

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Profit before taxation continued...

	Group 2021	Group 2020	Company 2021	Company 2020
Directors' emoluments				
(included in "employee benefit costs")				
Executive				
JW Boonzaaier	**6,016**	6,396	-	-
- Basic salary	**3,431**	3,156	-	-
- Bonus	**2,083**	1,756	-	-
- Share based payment	**-**	1,302	-	-
- Company contributions[1]	**210**	182	-	-
- Profit (loss) on vesting of share-based payments	**226**	-	-	-
- Other allowances	**66**	-	-	-
A Banderker	**9,388**	8,685	-	-
- Basic salary	**5,063**	4,903	-	-
- Bonus	**4,000**	3,242	-	-
- Share based payment	**-**	226	-	-
- Company contributions[1]	**325**	314	-	-
Non-executive				
For services as directors (basic salary)*	**3,517**	2,977	-	-
ATM Mokgokong	**1,608**	1,367	-	-
MJ Mandungandaba	**1,553**	1,368	-	-
IM Kirk	**-**	59	-	-
FG Allen	**356**	183	-	-
Employee benefit costs	**2,278,354**	2,233,093	-	-
Salaries and wages	**1,987,551**	1,942,067	-	-
Termination benefits	**5,701**	5,892	-	-
Incentive, production and performance bonus	**149,457**	155,515	-	-
Staff welfare	**39,551**	50,782	-	-
Movement in post-employment medical obligation	**(179)**	(16)	-	-
Other employee benefit cost	**96,273**	78,853	-	-

Average number of persons employed by the group during the period:				
South Africa	**5,652**	5,349	**-**	**-**
Full time	**4,893**	4,834	-	-
Part time	**759**	515	-	-
Outside of South Africa	**304**	342	**-**	**-**
Full time	**277**	342	-	-
Part time	**27**	-	-	-

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Profit before taxation continued...

	Group 2021	Group 2020	Company 2021	Company 2020
Dividends received	**(1,663)**	-	**(477,710)**	(154,783)
Loss on disposal of tangible assets	**3,947**	1,940	-	-
Write-off of intangible assets	**26,793**			
Fair value adjustments	**6,290**	14	**-**	**-**
Fair value losses on financial assets	**6,290**	14	-	-
Impairments	**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	**7,196**	10	-	-
Other expenses				
Included in "other expenses" are the following:				
Donations	**3,255**	1,154	-	-
Consulting fees	**384,201**	294,397	-	-
Legal fees	**31,026**	18,277	-	-
Operating expenditure**	**253,182**	212,188	**320**	-
Marketing and recruitment	**77,284**	79,295	-	-
VAT expenses	**2,087**	3,111	-	-
Capitation costs***	**1,804,412**	988,028	-	-

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

*** 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 Denis group of companies. The significant increase from prior year is due to the acquisition of Denis Group.*

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

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

	Group 2021	Group 2020	Company 2021	Company 2020
26. Net finance costs				
Finance costs	**(58,475)**	(77,710)	**(1,382)**	**-**
Other	**(10,299)**	(8,618)	**(1,382)**	-
Lease liability	**(21,420)**	(27,772)	-	-
Borrowings	**(26,756)**	(41,320)	-	-
Finance income	**21,913**	26,033	**54**	47
Cash and cash equivalents	**16,869**	19,819	**54**	47
Other	**5,044**	6,214	-	-

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

27. Income tax expense- continuing operations

27.1 Income tax recognised in profit or loss:

	Group 2021	Group 2020	Company 2021	Company 2020
Current taxation				
Current year	**220,541**	169,842	**15**	-
Prior year	**2,608**	(2,514)	**-**	-
Securities transfer tax	**425**	24	**-**	-
Deferred taxation				
Current year	**(23,960)**	(3,453)	**-**	-
Prior year	**(6,635)**	(8,715)	**(556)**	-
Income tax on remeasurement of post-employment benefit obligations	**(50)**	(4)	**-**	-
	192,929	155,176	**(541)**	**-**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Income tax expense- continuing operations continued...

27.2 Reconciliation of the tax rate

	Group 2021	Group 2020	Company 2021	Company 2020
South African normal tax rate	**28.00%**	28.00%	**28.00%**	28.00%
Adjusted for:				
Disallowable expenses	**0.64%**	3.12%	**0.10%**	0.08%
Donations not subject to Section 18A	**0.04%**	0.04%	**-**	-
Fair value loss on investment	**0.35%**	0.12%	**-**	-
Dual nature expenses	**0.41%**	0.57%	**-**	0.08%
Non-allowable legal fees	**0.12%**	0.32%	**-**	-
Non-allowable consulting fees	**0.04%**	0.14%	**-**	-
Foreign exchange gain / loss	**0.00%**	0.07%	**-**	-
Other non-deductible expenditure	**0.03%**	0.00%	**-**	-
Impairment of loans	**0.12%**	1.23%	**-**	-
Impairment of investments	**0.82%**	0.61%	**-**	-
Impairment of intangible assets	**0.42%**	0.00%	**-**	-
Reversal of impairment of intangible assets	**(1.82%)**	0.00%	**-**	-
Penalties and interest	**0.02%**	0.00%	**-**	-
Depreciation on buildings	**0.03%**	0.00%	**-**	-
Waiver of debt	**0.01%**	0.00%	**-**	-
Non trading expenditure	**0.06%**	0.02%	**0.10%**	-
Other taxable income	**0.02%**	**0.00%**	**-**	-
SARS Interest received	**0.02%**	0.00%	**-**	-
Non-taxable income	**(0.52%)**	(0.49%)	**-**	-
Share of profits from associates	**(0.32%)**	(0.36%)	**-**	-
Fair value gain on investments	**0.00%**	(0.01%)	**-**	-
Foreign exchange gain	**(0.06%)**	0.00%	**-**	-
Actuarial gain	**(0.01%)**	0.00%	**-**	-
Employment Tax Incentive	**(0.13%)**	(0.12%)	**-**	-
Exempt income	**(0.52%)**	(1.08%)	**(28.10%)**	(28.08%)
PSMAS income	**(0.52%)**	(1.08%)	**-**	-
Dividends received	**0.00%**	0.00%	**(28.10%)**	(28.08%)
Other deductible expenses	**(0.47%)**	(0.69%)	**-**	-
Learnership allowance	**(0.27%)**	(0.69%)	**-**	-
Venture capital allowance	**(0.19%)**	0.00%	**-**	-
Other deductible expenditure	**(0.02%)**	0.00%	**-**	-
Unreconciled temp differences	**(0.10%)**	-	**-**	-
Rate differences	**(0.31%)**	(0.85%)	**-**	-
Prior year adjustment	**0.00%**	(0.56%)	**-**	-
- current tax	**0.68%**	(0.68%)	**-**	-
- deferred tax	**(0.92%)**	(1.13%)	**(0.11%)**	-
Security tansfer tax	**0.06%**	0.00%	**-**	-
Withholding tax	**0.17%**	(0.62%)	**-**	-
At acquisition tax	**(0.74%)**	0.00%	**-**	-
Unutilised capital loss	**(0.38%)**	0.00%	**-**	-
unrecognised assessed loss	**0.74%**	(0.30%)	**-**	-
Effective tax rate	**26.64%**	24.72%	**(0.11%)**	0.00%

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

28. Cash flows from operating activities

	Group 2021	Group 2020	Company 2021	Company 2020
Profit before tax from operating activities	**724,109**	632,838	**476,062**	154,368
Loss before tax from discontinued operations	**(13,871)**	(9,117)	**-**	-
Profit before tax	**710,238**	623,721	**476,062**	154,368
Adjustments for:				
Dividends received	**(1,663)**	-	**(477,710)**	(154,783)
Other income	**(1,314)**	-	**-**	-
Fair value gains and losses on investment in AfroCentric Investment Corporation Limited	**(1,460)**	2,520	**-**	-
Right of use assets depreciation	**66,563**	71,781	**-**	-
Interest on lease	**21,420**	27,888	**-**	-
Finance income	**(21,913)**	(26,387)	**(54)**	(47)
Finance costs	**37,055**	49,938	**1,382**	-
Bad debts written off	**8,705**	2,454	**-**	-
Increase in expected credit loss allowance	**2,009**	3,686	**-**	-
Depreciation	**78,202**	62,514	**-**	-
Fair value gains and losses	**6,290**	(14)	**-**	-
Amortisation of intangible assets	**195,028**	164,153	**-**	-
Impairment of intangibles	**3,182**	2,920	**-**	-
Impairment provision on investments and loans	**7,196**	10	**-**	-
Loss on disposal of tangible assets	**3,947**	1,939	**-**	-
Write-off of intangible assets	**26,793**	-	**-**	-
Share-based payment expense	**6,870**	8,896	**-**	
Reclassification of foreign currency translation reserve	**10,401**	-	**-**	-
Share of profit from associates	**(8,294)**	(7,990)	**-**	-
Other adjustments for non-cash items	**(1,276)**	(10,701)	**-**	-
Cash flow before working capital changes	**1,147,979**	977,328	**(320)**	(462)
Working capital changes				
Inventory	**(126,435)**	(14,119)	**-**	-
Trade and other receivables	**(5,057)**	24,323	**10,000**	20
Trade and other payables	**40,888**	(39,611)	**70**	-
Provisions	**(28,114)**	13,281	**-**	216
Cash generated from operations	**1,029,261**	961,202	**9,750**	(226)

** Refer to note 15 for details of the discontinued operations*

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

29. Income tax paid

	Group 2021	Group 2020	Company 2021	Company 2020
Balance at the beginning of the year	**(7,630)**	1,887	**(19)**	(23)
Balance at the end of the year (asset)/liability	**(7,682)**	7,630	**45**	19
(Charge)/credit to the statement of comprehensive income	**(192,979)**	(154,158)	**541**	-
(Charge) to other comprehensive income	**(50)**	(4)		
Less deferred tax included in taxation expense	**(30,645)**	(14,500)	**(556)**	-
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)	**-**	-
	(268,408)	(160,501)	**11**	(4)

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

30. Dividends

ACT Healthcare Assets passed one resolution whereby dividends were declared in the 2021 financial year. These dividends were debited to retained earnings in 2021.

	Group 2021	Group 2020	Company 2021	Company 2020
Dividend declared	**280,218**	78,558	**280,218**	78,558
Attributable to:				
Owners of the parent	**199,795**	56,012	-	-
Non-controlling interests of ACT Healthcare Assets	**80,423**	22,546	-	-
Dividends declared and paid to Non-controlling interests	**52,500**	21,354	**-**	**-**
Dividend declared and paid by Essential Group Proprietary Limited to non-controlling interests	**19,630**	**-**	**-**	**-**
Dividend declared and paid by Medscheme (Namibia) Proprietary Limited to non-controlling interests	**4,940**	9,230	-	-
Dividend declared and paid by Allegra Proprietary Limited to non-controlling interests	**8,330**	10,780	-	-
Dividend declared and paid by Scriptpharm Risk Management Proprietary Limited to non-controlling interests	**-**	1,344	-	-
Dividend declared and paid by AfroCentric Distribution Services Proprietary Limited to non-controlling interest	**19,600**	-	-	-
	332,718	**99,912**	**280,218**	78,558

31. 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 5 742 411 share awards (1% of current issued share capital of 574 241 248) and the maximum dilution limit is 28 712 062 (5% of current issued share capital of 574 241 248).

The company in which the participants are employed is required to pay the cost of the shares.

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 is R10 million (2020: R8.9 million)

The share price of AfroCentric Investment Corporation Limited on 30 November 2019 of R3.30 (2018: R5.20) and (2017: R6.30) which is grant date, was used to determine the IFRS 2 charge for 2020.

Share-based payments continued...

30 June 2021

Offer date	Issue share price R	Balance at 30 June 2020 '000	Offered ’000	Forfeited ’000	Balance as at 30 June 2021 ’000	Fair Value as at 30 June 2021 R’000
	Group					
-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	**4.4**	**-**	**6,240**	**(540)**	**5,700**	**3,450**
Total		**11,400**	**6,240**	**(2,050)**	**15,590**	**26,453**

Fair value for AfroCentric Investment Corporation Limited based on closing share price 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 ’000	Balance as at 30 June 2020 ’000	Fair Value as at 30 June 2020 R’000
	Group					
-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
		8,870	-	(2,660)	11,400	20,191

Fair value for AfroCentric Investment Corporation Limited based on closing share price as at 30 June 2020 of R3.69. Weighted average remaining years of 2.78.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Share-based payments continued...

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

This represents the shares vested but not yet exercised.

32. 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 & 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 online and 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.

This portion of NHA's arbitration claims amounted to a claim for approximately R24 million (as a royalty) plus interest which NHA sought to claim from about 2005. The interest claim could have resulted in a substantial addition to the above capital amount of the claim.

The dispute over this issue was heard in July and August 2020 and an award was given during October 2020.

The Board is pleased to notify shareholders that the arbitrator ruled that NHA was entitled to a total of only R2.7m, with interest only from October 2020 to date of payment, and costs. Medscheme had provided the specifications and also assisted in the development of this software and therefore considered it was entitled to use it during the above period. The Arbitrator however found that Medscheme's contribution fell short of the contribution required for joint authorship and ownership of the software, but as indicated limited NHA's claim to R2.7m, and costs. The Arbitrator further dismissed NHA's claims against three of the Medscheme's former executives, with costs and also awarded Medscheme the costs of a previous postponement of the arbitration.

Thus both NHA and Medscheme were ordered to pay costs.

The calculation of the costs relating to the aspect of the arbitration that was heard and resolved in 2020 is now being determined by both parties to assess what the net amount payable by either party will be.

R2.7m has been expensed and a possible accrual raised for the legal costs. The next part of the case relating to the extension of the licensing agreement of the NHA administration system will commence in February 2022.The remaining maximum capital amount (net of the first claim of R24million) as presently pleaded is R366.4million.

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

33. Related party transactions

Directors

Details relating to directors' emoluments are disclosed in Note 25. There are no loans to directors.

Relationships with directors in the Group

WAD Holdings Proprietary Limited – Mr WH Britz (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:

	Group	
	June 2021 R'000	**June 2020 R'000**
Directors		
Medical aid contributions paid by directors – to schemes administered by Medscheme Holdings Proprietary Limited	**486**	177
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:	**62,784**	67,996
- Salaries	**11,087**	12,501
- Cleaning and security	**21,042**	19,842
-Refurbishments, projects and capex	**5,787**	6,635
- Utilities	**23,593**	27,052
- Other	**1,275**	1,966
Mr MJ Madungandaba (41.91%) and Dr ATM Mokgokong (17.96%) collectively control Skynet South Africa 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	**2,464**	21,810
Mr MJ Madungandaba, Dr ATM Mokgokong and Dr ND Munisi 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	**1,158**	563
AfroCentric Distribution Services Proprietary Limited - rental costs paid to Northern Lights Trading 172 Proprietary Limited	**4,321**	4,039
Pharmacy Direct Proprietary Limited - rental costs paid to Northern Lights Trading 172 Proprietary Limited	**1,926**	1,884
Fastpulse Employee Solutions Proprietary Limited - rental costs paid to Northern Lights Trading 172 Proprietary Limited	**129**	-

Related party transactions continued...

	Group	
	June 2021 R'000	**June 2020 R'000**
Related entities		
Intercompany recovery costs		
Sanlam Limited - Intercompany recovery expenses paid to AfroCentric Distribution Services Proprietary Limited	**(12)**	-

	Company	
	June 2021 R'000	**June 2020 R'000**
Balances		
AfroCentric Health (RF) Proprietary Limited loan account	**64,654**	(2,418)
Investment held in AfroCentric Investment Corporation Limited by AfroCentric Health Management Services (Pty) Ltd - 1 999 999 shares @ R442 cents (2020: R369 cents)	**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	**(1,035)**	7
Interest received from AfroCentric Health (RF) Proprietary Limited	-	6,049
Dividends received		
Dividends received from AfroCentric Health (RF) Proprietary Limited	**477,710**	154,783
Key management personnel compensation		
Short-term employee benefits	**24,650**	18,929
Share-based payments	**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

34. Subsequent events

Acquisition of Exeltis South Africa Proprietary Limited

AfroCentric via its subsidiary, Activo Health Proprietary Limited, entered into a sale of shares agreement with Shelsley Chemicals Proprietary Limited to acquire all of the shares in Exeltis South Africa Proprietary Limited, effective 1st August 2021. The acquisition is consistent with AfroCentric's growth objections in the healthcare sector and will serve to strengthens Activo's product offering to the pharmaceutical market.

The name of Exeltis South Africa Proprietary Limited has subsequently been changed to Activo Health Care Assets Proprietary Limited.

Exeltis South Africa is the holding company of Forrester Pharma Proprietary Limited, 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 a specific medicine molecule / brand 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 financial aspects of this transaction have not been recognised at 30 June 2021. The operating results and assets and liabilities of the acquired company will be consolidated 1st August 2021.

Purchase consideration and fair value of net assets acquired

Details of the consideration transferred are:

	R'000
Purchase consideration	
- Cash paid*	**189,244**
- Contingent consideration**	**101,120**
Total purchase consideration	**290,364**

**Included in the cash paid is the R150 million loan advance made to the owners of Exeltis in May 2021. This loan advance has been applied against the purchase price.*

*** The remainder of the consideration will be paid based on the registration of the agreed upon dossiers within the stipulated time frame per the signed sale of shares agreement. The last payment is expected to be made in December 2023. The group is expecting that all dossiers will be registered in the time allocated and the full outstanding consideration has been discounted to its net present value.*

Afrocentric Group has provided a guarantee to Shelsley Chemicals Proprietary Limited that Activo Health Proprietary Limited will be able to meet its financial obligations as set out in the terms and conditions of sale.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Subsequent events continued...

The provisionally determined fair value of the assets and liabilities of the Exeltis South Africa Proprietary Limited as the date of acquisition are as follows:

	Fair value R'000
Cash and cash equivalents	**1,171**
Property, plant and equipment	**151**
Intangible assets	**27,537**
Intangible assets- new dossier registration	**83,139**
Receivables	**178**
Payables	**(760)**
Net deferred tax assets	**6,638**
Net identifiable assets acquired	**118,054**
Add: Goodwill	**172,310**
Net assets acquired	**290,364**

The goodwill is attributable to Exeltis Group's substantial pipeline of first to market generic molecules, none of the goodwill is expected to be deductible for tax purposes.

In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised.

It is also not yet possible to provide detailed information about each class of acquired receivable and any contingent liabilities of the acquired entity.

Revenue and profit contribution

The economic activity of the entity at acquisition date was limited, as such, it is not possible to accurately estimate the revenue and profit contribution the acquisition is expected to contribute to the group.

Acquisition related costs:

Acquisition-related costs of R1.1m are included in the other expenses line in the statement of profit and loss and in operating cash flows in the statement of cash flows.

Acquisition of Sanlam Gap cover

AfroCentric Health (RF) Proprietary Limited, concluded negotiations with Sanlam Health Solutions Proprietary Limited for the acquisition of a Gap cover business that is supplementary to its current medical scheme offerings.

The transaction has an effective date of 1 September 2021 with a total purchase consideration of R29.1m

35. 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. In the interest of the employee members of these funds, the trustees are encouraged to obtain an independent actuarial assessment of the performance of the funds.

36. 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.

37. 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 has continued to effect economic activities across the globe and South Africa has not been spared. In an effort to stem the growth in cases, South Africa has been placed on various levels of lockdown's throughout 2021 financial period. AfroCentric Group on entities have been deemed essential services as defined and we have continued to operate unaffected during all the various levels of lockdown.

Therefore 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 has 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 financial 2022 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 (Notes 3 and 8). This range is based on management's expectation of COVID-19.
• Borrowings repayment and classification – The outstanding balance of the Group's borrowings as at 30 June 2021 is R776 million. The Group is not in breach of the covenants. The Group is anticipating to make R 120 million payments in the next 12 months as and when they become due, no deferral of capital repayments is expected.

With the occurrence of the COVID-19 (Coronavirus) 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.

The COVID-19 pandemic and related, nation-wide lockdown (as outlined in note above) have not interfered with the Group's ability to continue its operations the entities have continued as normal even during the lockdown period, seeing as the following:
• Administration of medical aids;
• Provision of chronic medication;
• Supply and distribution of medication;
• Primary and occupational healthcare services;
• Information technology solutions; and
• Health insurance.
were deemed to be a healthcare-related essential service.

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 post-year-end as we navigated the unrest in areas of the country. The Group remained insulated and the unrest did not impact our operations.

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