AfroCentric GROUP

Healthier Together

ANNUAL FINANCIAL STATEMENTS 2023

CONTENTS

Preparation of the Annual Financial Statements

The Group Annual Financial Statements of AfroCentric Investment Corporation Limited (AfroCentric) for the year ended 30 June 2023 were prepared by Bongiwe Ncube CA(SA), General Manager: Group Finance, AfroCentric Investment Corporation Limited and were reviewed by Hannes Boonzaaier CA(SA), Group Chief Financial Officer of AfroCentric Investment Corporation Limited.

COMPANY INFORMATION

Registration number

1988/000570/06

Registered address

37 Conrad Road
Florida North
Roodepoort
1709

Postal address

PO Box 1101
Florida Glen
Roodepoort
1708

External Auditor

PricewaterhouseCoopers Inc.
Johannesburg

Group Company Secretary

Billy Mokale
Tel: +27 11 671 4725

DIRECTORS' RESPONSIBILITIES AND APPROVAL

for the year ended 30 June 2023

The directors are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of the Group as presented on pages 19 to 109. These Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), The Companies Act 71 of 2008, as amended (**the Companies Act**) and in compliance of the Memorandum of Incorporation of AfroCentric Investment Corporation Limited (**the Company**) and the JSE Limited Listings Requirements (**JSE Listings Requirements**); and include amounts based on judgements and estimates made by management.

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

Based on results of the reviews of the internal financial controls conducted by the internal audit function during the 2023 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 Annual Financial Statements. The directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on review of forecasts and budgets and available cash resources. The Annual Financial Statements support the viability of the Company and the Group. Furthermore the Group has adequate cash resources which are in excess of the Group's funding requirements for the foreseeable future.

The financial statements have been audited by the independent auditing firm, PricewaterhouseCoopers Inc. (**PwC**), who have been given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the Board of Directors (**the Board**) and committees of the Board. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate.

The audit opinion of PwC appears on pages 13 to 18.

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 performance of the Group.

The Annual Financial Statements have been approved by the Board and signed on 14 September 2023.

Dr Anna Mokgokong
Chairman

Hannes Boonzaaier
Group Chief Financial Officer

Ahmed Banderker
Group Chief Executive Officer

DECLARATION BY GROUP 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 public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Billy Mokale
Group Company Secretary

14 September 2023

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER RESPONSIBILITY STATEMENT

for the year ended 30 June 2023

Each of the directors, whose names are stated below, hereby confirm that –

(a) the Annual Financial Statements set out on pages 19 to 109 fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of International Financial Reporting Standards;

(b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the Annual Financial Statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the Annual Financial Statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;

(e) where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and taken steps to remedy the deficiencies; and

(f) we are not aware of any fraud involving directors.

Ahmed Banderker
Group Chief Executive Officer

Hannes Boonzaaier
Group Chief Financial Officer

AUDIT AND RISK COMMITTEE REPORT

for the year ended 30 June 2023

DUTIES AND RESPONSIBILITIES

The Audit and Risk Committee is satisfied that it has executed its role and responsibilities in accordance with the requirements of the Companies Act, the JSE Listings Requirements and the recommendations of the King Report on Corporate Governance™ for South Africa, 2016 (**King IV**) as well as the responsibilities assigned to it as set out in the Audit and Risk Committee Terms of Reference which have been approved by the Board. The Board is satisfied that the Audit and Risk Committee has complied with these terms, and with its legal and regulatory responsibilities as set out in the Companies Act, King IV and the JSE Listings Requirements.

The primary role of the Audit and Risk Committee is to ensure the integrity of the Group's financial reporting and the audit processes, and that a sound risk management and internal control system is maintained. In pursuing these objectives, the Audit and Risk Committee oversees relations with the external auditors and reviews the effectiveness of the internal audit function. The Audit and Risk Committee consisted of three independent non-executive directors from 1 July 2022 to 30 June 2023. Bruno Fernandes is the chairperson of the Audit and Risk Committee.

MEMBERS OF THE AUDIT AND RISK COMMITTEE

Member	Date of Appointment	Qualifications
José Bruno Fernandes	15 November 2018	CA (SA)
Alice Marie le Roux	25 May 2020	CA (SA)
Mmaboshadi Chauke	1 June 2020	CA (SA)

The Board is satisfied that the members of the Audit and Risk Committee have the required knowledge and experience as set out in section 94 (5) of the Companies Act, 71 of 2008 as amended and Regulation 42 of the Companies Regulations, 2011.

The Group Chief Executive Officer (**CEO**) and Group Chief Financial Officer (**CFO**) are permanent invitees to the Audit and Risk Committee meetings. During the reporting period, Gary Allen*, a Non-executive Director, was also an invitee.

* *Resigned 15 June 2023*

ATTENDANCE OF MEETINGS

The attendance of Audit and Risk Committee members at its meetings during the financial year was as follows:

Member	Attendance
José Bruno Fernandes	8/8
Alice Marie le Roux	8/8
Mmaboshadi Chauke	8/8

The Audit and Risk Committee performs the duties set out in section 94 (7) of the Companies Act, 71 of 2008 as amended, holding sufficient scheduled meetings to discharge its duties, subject to a minimum of four meetings per year. Additional ad-hoc meetings are held as and when required. During the year, eight committee meetings were held and, where relevant, unrestricted access was granted to the external auditors.

AfroCentric Group has established and maintains internal controls and procedures, which are reviewed on a regular basis by internal audit, which then reports to the Audit and Risk Committee in order to manage the risk of business failures and to provide reasonable assurance against such failures. However, this is not a guarantee that such risks are eliminated.

RESPONSIBILITIES

It is the duty of the Audit and Risk Committee to undertake, inter alia, the following:

» Approve the audit strategy and recommend the audit fee for approval.
» Review the nature of and approve the fees for non-audit services.
» Assess the effectiveness of the Chief Audit Executive (**CAE**) and the work and processes of the internal audit function.
» Satisfy itself with the appropriateness of the expertise and experience of the Group CFO.
» Review and approve the interim and year-end results and announcements and recommend them to the Board for approval.
» Review and approve the audited company and consolidated annual financial statements, the integrated annual report, and all other widely distributed financial documents and announcements, and recommend these to the Board for approval.
» Review and approve all major accounting policy decisions.
» Review and approve the risk register and the risk appetite statement.
» Review and confirm the updated authority levels.
» Assess the Group's position on contingent liabilities and other claims at financial year-end.
» Review policies and procedures for preventing and detecting fraud.

EXECUTION OF AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

The Audit and Risk Committee discharged all responsibilities and functions delegated to it in terms of the Audit and Risk Committee Terms of Reference, the Companies Act, King IV and the JSE Listings Requirements.

During the year, the Audit and Risk Committee:

In respect of the external auditors:

» Considered and satisfied itself that the external audit firm and its engagement partner are independent;
» Considered and satisfied itself with respect to the Auditor Suitability Review required by the JSE Listings Requirements;
» Agreed to the terms of engagement, in consultation with executive management;
» Reviewed the nature of non-audit services that were provided by the external auditor during the year;
» Approved the fees paid to the external auditor for the 2023 financial year. Considered and recommended the audit plan and budgeted audit fee to the Board for approval;
» Approved the non-audit fees for services rendered by the external auditors during the year under review;
» Held separate meetings with the external auditors in certain instances to discuss key audit matters;
» Ensured that the appointment of the new external auditors complies with the provision of the Companies Act, paragraph 22.15 of the JSE Listings Requirements and any other legislation relating to the appointment of the auditors;
» Evaluated external auditor responses to the request for proposals for the appointment of the new external auditor for the Group;
» Recommended appointment of new external auditors to commence in the next financial year, with such appointment to be confirmed at the Annual General Meeting; and
» The Audit and Risk Committee chairperson held separate meetings with the external auditors prior to Audit and Risk Committee meetings.

In respect of financial reporting:

» Reviewed the current performance and future requirements for the financial management of the Group and concluded that the current team has the appropriate skills and expertise required to fulfil the finance function. Also considered the appropriateness and experience of the Group Chief Financial Officer, Hannes Boonzaaier as required by the JSE Listings Requirements;
» Reviewed the audited separate and consolidated annual financial statements;
» Ensured that appropriate financial reporting procedures exist and are working;
» Reviewed the appropriateness of any amendments to accounting policies and internal financial controls; and
» Reviewed the integrated reporting process.

The Audit and Risk Committee has assessed the Group's accounting policies and the consolidated financial statements for the year ended 30 June 2023 and is satisfied that they comply in all material aspects with International Financial Reporting Standards (**IFRS**), the requirements of the Companies Act and the JSE Listings Requirements.

The Audit and Risk Committee recommended the Group Financial Statements for approval by the Board.

In respect of the internal audit:

» Approved the internal audit plan for the year;
» Monitored and provided oversight of the internal audit function; and
» The Audit and Risk Committee chairperson held separate meetings with the CAE of internal audit prior to Audit and Risk Committee meetings.

In respect of Information Technology governance:

» Monitored the Group's technology governance framework and processes including that of system stability and information security;
» Reviewed and monitored the outcome of penetration tests conducted and mitigation of cybersecurity risks; and
» Monitored the Information and communication technology (**ICT**) risk management and compliance universe.

COMBINED ASSURANCE

The Audit and Risk Committee is of the view that the framework in place for combined assurance is adequate and is achieving the objective of an effective, integrated approach across the disciplines of risk management, compliance and audit.

José Bruno Fernandes
Chairperson of the Audit & Risk Committee
14 September 2023

DIRECTORS' REPORT

for the year ended 30 June 2023

The directors have pleasure in presenting their report on the consolidated and separate financial statements of AfroCentric for the year ended 30 June 2023.

NATURE OF BUSINESS

AfroCentric Group is a JSE-listed investment holding company which operates in and provides specialised services to the public and private healthcare sectors, making quality healthcare more accessible and affordable to members and beneficiaries in both sectors. Effective 29 May 2023, Sanlam Group owned 60% majority shareholding of AfroCentric resulting from a merger transaction approved unconditionally by the Competitions Commission. The principal objective of the Group is to ensure the delivery of efficient health management services and the distribution of quality products — all at a manageable and affordable cost for the benefit of our stakeholders. AfroCentric has successfully broadened its interests in the industry by continuing to pursue new opportunities to expand and rationalise its presence across the healthcare sector.

The consolidated annual financial statements as at 30 June 2023 and for the year then ended, comprise the Group's and its subsidiaries ("referred to as the Group") and the Group's investments in associates and joint ventures.

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. 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 healthcare service. As part of our growth strategy, the Group contributes to South Africa's sustainable health and welfare by investing in healthcare-related businesses that grow its portfolio and diversify its revenue sources. We remain passionate about promoting access to care and supporting meaningful progress in the universal healthcare journey.

We are exceptionally pleased to have concluded the Sanlam transaction, whereby Sanlam Group now owns 60% with effect from 29 May 2023. Broad goals include sharing of assets and capabilities and developing a complete and integrated client value proposition for retail and corporate clients.

The long-term synergies include, to name a few:

- Improving client experiences by offering a complete product value proposition ranging from health to wealth and insurance protection;
- A new holistic corporate wellness model that partners with client schemes as well as Sanlam Corporate services;
- Growth and retention in client scheme membership; and
- Growth and retention in Gap and Primary Health Insurance (**PHI**) books.

FINANCIAL RESULTS

AfroCentric's profit from total operations (including discontinued operations) for the year ended 30 June 2023 was R294.7 million (2022: R478.8 million).

DEVELOPMENTS

During the financial year, AfroCentric Health (RF) Proprietary Limited acquired the remaining 49% shares in AfroCentric Distribution Services Proprietary Limited (**ADS**), effective 1 July 2022. ADS performs a critical role through its marketing and support services for medical schemes.

Sanlam Group acquired 60% controlling shareholding in AfroCentric Group. The transaction adds a strong healthcare capability to Sanlam's existing suite of financial products. Sanlam will integrate AfroCentric's product offering into its ecosystem.

During the financial year, a decision was taken by the Group to close down its operations in the procurement of hospital surgical consumables through its subsidiary MMed Distribution Proprietary Limited.

FINANCIAL REVIEW

Group consolidated total income increased by 2.2% to R8 909 million (2022: R8 715 million).

Group headline earnings decreased by 31.4% to R216.4 million (2022: R315.7 million).

Profit before tax decreased by 37.0% to R426.5 million (2022: R676.7 million).

Profit from continuing operations decreased by 39.3% to R294.9 million (2022: R485.7 million).

GOING CONCERN

The Group Annual Financial Statements have been prepared on the going concern basis. The Board having 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.

DIVIDENDS

The Group has not declared any dividends related to the current year under review.

SHARE CAPITAL

The Company's share capital increased to 825 052 711 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.

The directors are authorised, by resolution of the shareholders and until the forthcoming AGM, to issue the unissued shares in accordance with the limitation set by members.

SHARE REPURCHASES

During the year, 1 000 000 shares were repurchased by the Company from AfroCentric Health (RF) Proprietary Limited.

AUDIT AND RISK COMMITTEE

The information relating to the Audit and Risk Committee is set out on pages 3 to 4.

DIRECTORS

The table below illustrates the directors of AfroCentric for the year ended 30 June 2023.

Directors' name	Date of appointment	Designation
ATM Mokgokong (Chairman)	10 June 2010	Non-executive
MJ Madungandaba	10 June 2010	Non-executive
FG Allen*	12 September 2019	Non-executive
A Banderker	15 December 2015	Executive – salaried
JW Boonzaaier	1 August 2015	Executive – salaried
WH Britz	1 August 2015	Non-executive
M Chauke	1 June 2020	Independent Non-executive
M Dippenaar	15 June 2023	Non-executive
JB Fernandes	23 November 2018	Lead Independent Non-executive
P Hanratty	15 June 2023	Non-executive
AM le Roux	25 May 2020	Independent Non-executive
K Mkhize	20 June 2022	Non-executive
ND Munisi	7 December 2015	Non-executive

* *Resigned 15 June 2023*

During the year under review, no material contracts in which directors have an interest were entered into which significantly impacted the business of the Company, other that those disclosed in Note 32 of the annual financial statements.

DIRECTORS' REPORT continued

for the year ended 30 June 2023

Directors' ordinary shareholdings as at 30 June 2023

Director	Direct beneficial	Indirect beneficial	Held by associate	Total	%
ATM Mokgokong (Chairman)	–	33 344 402	–	33 344 402	4.04
MJ Madungandaba	–	41 509 017	–	41 509 017	5.03
A Banderker	232 258	–	–	232 258	0.03
JW Boonzaaier	739	–	–	739	0.00
WH Britz	13 357 287	13 479 468	–	26 836 755	3.25
ND Munisi	7 000	37 124 619	–	37 131 619	4.50
FG Allen	–	–	–	–	–
AM le Roux	17 924	–	–	17 924	0.00
	13 615 208	125 457 506	–	139 072 714	16.85

Directors' ordinary shareholdings as at 30 June 2022

Director	Direct beneficial	Indirect beneficial	Held by associate	Total	%
ATM Mokgokong (Chairman)	–	68 459 418	–	68 459 418	11.87
MJ Madungandaba	–	72 276 245	–	72 276 245	12.53
A Banderker	511 326	–	–	511 326	0.09
JW Boonzaaier	230 001	–	–	230 001	0.04
WH Britz*	29 406 641	29 675 628	–	59 082 269	10.24
ND Munisi	7 000	70 000 000	–	70 007 000	12.14
FG Allen	46 880	–	–	46 880	0.01
AM le Roux	39 462	–	–	39 462	0.01
	30 241 310	240 411 291	–	270 652 601	46.93

* *WH Britz shareholding amendments were announced through a JSE SENS Announcement issued on 25 May 2022.*

There were no changes in the directors' interests between the end of the financial year and date of approval of annual financial statements.

DIRECTORS' REMUNERATION

Remuneration of Executive and Non-executive Directors

Details of the remuneration are set out in Note 23 of the Group Financial Statements.

Remuneration of Non-executive Directors and Board Committee members

Non-executive Directors received the following total remuneration in the year under review:

Director	Fees R'000
ATM Mokgokong (Chairman)	1 803
MJ Madungandaba	2 045
FG Allen	592
M Chauke	681
MK Dippenaar	–
JB Fernandes	1 166
PB Hanratty	30
AM le Roux	768
K Mkhize	422
ND Munisi	569

The director's remuneration highlighted above reflects their total gross directors' fees received across various subsidiaries within the Group.

Remuneration of the five highest paid subsidiary executives as at 30 June 2023 who are not directors of AfroCentric

Employee	Annual cost to company and incentives R'000
AA Mahmood	5 919
J van Rooyen	5 698
T du Preez	4 004
G Erasmus	3 745
MV Makoe	3 314

DIRECTORS' REPORT continued

for the year ended 30 June 2023

MATERIAL RESOLUTIONS

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

» General approval to repurchase shares;
» Inter-company loans and other financial assistance;
» Fees payable to Non-executive Directors;
» Group Annual Financial Statements for the financial year ended 30 June 2022;
» Audit report for the year ended 30 June 2022;
» Adoption of the AfroCentric Incentive Plan;
» Re-appointment of independent registered auditor and designated audit partner;
» Election and re-election of directors;
» Appointment of members to the Audit and Risk Committee;
» Approval to issue ordinary shares and to sell treasury shares, for cash;
» Endorsement of the remuneration policy; and
» Authority of directors.

Details of these resolutions can be obtained via the Company's website or on request.

LITIGATION STATEMENT

In terms of the JSE Listings Requirements, the directors note that they are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position, apart from the matters per Note 31 of the Financial Statements.

BORROWING POWERS

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

INSURANCE

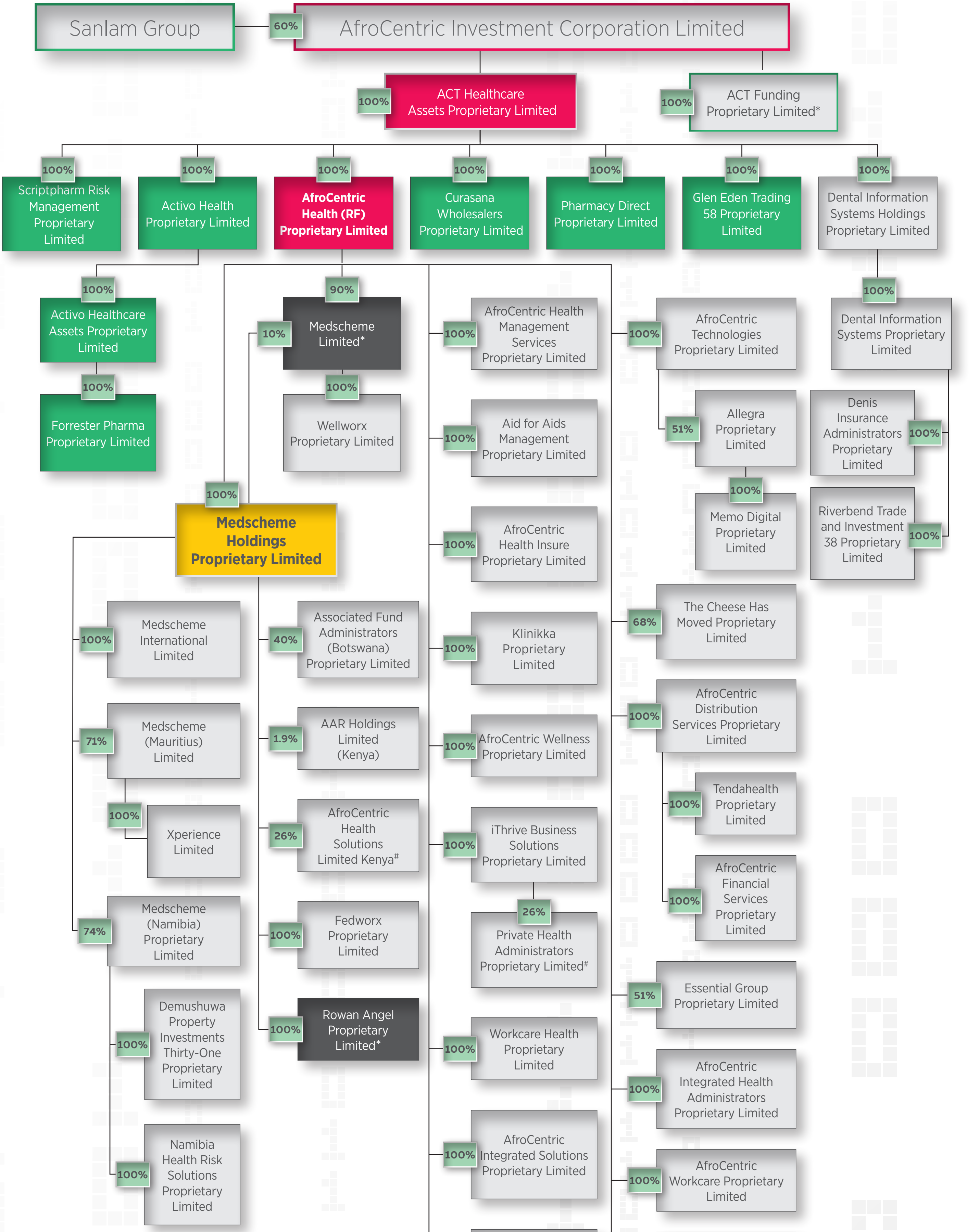
The Group protects itself and the directors against crime and civil liability by maintaining a comprehensive insurance policy and ensuring that professional indemnity is in place.

COMPLIANCE

Other than late filing of annual returns to the Companies and Intellectual Property Commission (**CIPC**) for certain subsidiaries, no events or actions during the financial year have led to the Group being non-compliant with the required laws and regulations relevant to the individual business units.

EXTERNAL AUDITOR

PwC served as external auditor of the Company for the 2023 financial year.



Associate companies
* *Dormant companies*
^ *Joint Venture*

SHAREHOLDERS' ANALYSIS

for the year ended 30 June 2023

ORDINARY SHAREHOLDERS

Shareholder spread	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
1 – 1 000 shares	5 953	70.58	545 688	0.07
1 001 – 10 000 shares	1 668	19.78	7 536 068	0.91
10 001 – 100 000 shares	710	8.42	18 827 800	2.28
100 001 – 1 000 000 shares	77	0.91	22 509 221	2.73
1 000 001 – shares and over	26	0.31	775 633 934	94.01
Total	8 434	100.00	825 052 711	100.00

Distribution of shareholders	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
Banks/Brokers	23	0.27	11 904 984	1.44
Close Corporations	18	0.21	712 688	0.09
Empowerment Trust	1	0.01	4 779 466	0.58
Endowment Funds	9	0.11	908 648	0.11
Individuals	8 089	95.91	49 030 429	5.94
Insurance Companies	5	0.06	52 861	0.01
Investment Company	1	0.01	13 668 507	1.66
Mutual Funds	11	0.13	5 219 490	0.63
Other Corporations	17	0.20	26 759 286	3.24
Private Companies	89	1.06	193 510 966	23.45
Public Companies	2	0.02	1 002	0.00
Retirement Funds	12	0.14	5 369 609	0.65
Strategic Investor	2	0.02	494 431 629	59.93
Treasury Shares	4	0.05	11 097 219	1.35
Trusts	151	1.80	7 605 927	0.92
Total	8 434	100.00	825 052 711	100.00

Public/non-public shareholder spread	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
2023				
Non-public shareholders	18	0.21	644 601 562	78.13
Directors and associates of the Company	12	0.14	139 072 714	16.85
Treasury shares*	4	0.05	11 097 219	1.35
Strategic holder (more than 10%)	2	0.02	494 431 629	59.93
Public shareholders	8 416	99.79	180 451 149	21.87
Total	8 434	100.00	825 052 711	100.00

* *The treasury shares include 9 735 000 shares issued in the current financial year in terms of the new forfeitable share plan.*

SHAREHOLDERS' ANALYSIS continued

for the year ended 30 June 2023

Public/non-public shareholder spread	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
2022				
Non-public shareholders	21	0.25	331 734 940	57.52
Directors and associates of the Company	13	0.15	190 021 844	32.95
Treasury shares	3	0.04	1 999 999	0.35
Strategic holder (more than 10%)	5	0.06	139 713 097	24.22
Public shareholders	8 374	99.75	244 976 317	42.48
Total	8 395	100.00	576 711 257	100.00

Major shareholders holding more than 5% of the issued share capital	Number of shares	% of total shares in issue
2023		
Sanlam Group	**494 454 340**	**59.93**
Community Healthcare Holdings Proprietary Limited	**74 098 672**	**8.98**
African Rainbow Capital	**62 433 537**	**7.57**
Total	**630 986 549**	**76.48**

Major shareholders holding more than 5% of the issued share capital	Number of shares	% of total shares in issue
2022		
Community Healthcare Holdings Proprietary Limited	129 228 599	22.41
Golden Pond Trading 175 Proprietary Limited	70 000 000	16.01
RQ Investments Proprietary Limited	57 283 042	9.93
ARC Financial Services Investments Proprietary Limited	48 765 030	8.46
XTR Investment Capital	29 406 641	5.10
WHB Holdings	29 406 641	5.10
Total	364 089 953	67.01

Top 10 institutional shareholders	Number of shares	% of total shares in issue
2023		
Visio Capital Management	**13 727 677**	**1.66**
Umthombo Wealth	**2 371 274**	**0.29**
UBS (Custodian)	**1 550 000**	**0.19**
Metal & Engineering Industries	**1 478 549**	**0.18**
CACEIS Bank Deutschland GmbH	**1 020 000**	**0.12**
Mergence Investment Managers	**576 395**	**0.07**
Peresec Prime Brokers	**469 349**	**0.06**
RMB Securities	**366 857**	**0.04**
Nedbank Private Wealth	**361 268**	**0.04**
Barnard Jacobs Mellet	**244 641**	**0.04**
Total	**22 166 010**	**2.69**

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AFROCENTRIC INVESTMENT CORPORATION LIMITED

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of AfroCentric Investment Corporation Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2023, and its consolidated and separate financial performance and its 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.

What we have audited

AfroCentric Investment Corporation Limited's consolidated and separate financial statements set out on pages 19 to 109 comprise:

- the consolidated and separate statements of financial position as at 30 June 2023;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group 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)*.

Our audit approach

Overview

Overall group materiality

- Overall group materiality: R29.6 million, which represents 5% of the average consolidated profit before tax over five years

Group audit scope

- Our group audit scoping included full scope audits for fourteen reporting components based on their financial significance, audit risks and statutory audit requirements

Key audit matters

- Impairment assessment of goodwill; and
- Capitalisation of development costs relating to internally generated software and impairment assessment of internally generated software.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITOR'S REPORT continued

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R29.6 million.
How we determined it	5% of the average consolidated profit before tax over five years.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector. We considered it to be more appropriate to use an average of profit before tax over the last five years as a basis for determining materiality in order to capture a more normalised view of the Group's profitability.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The consolidated financial statements are a consolidation of forty-three reporting components operating across South Africa, Namibia and Mauritius, comprising the Group's operating businesses. Fourteen reporting components were selected for full scope audits based on their financial significance, audit risks and statutory audit requirements. The remaining reporting components were considered to be insignificant components for group scoping purposes. Analytical review procedures were performed over these insignificant reporting components.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, and component auditors from other PwC network firms or other firms operating under our instruction.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report in respect of the separate financial statements.

INDEPENDENT AUDITOR'S REPORT continued

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill Refer to the following notes to the consolidated financial statements for detail: » Note 1(f)(i): Summary of accounting policies – Goodwill; » Note 2(a): Critical accounting estimates and assumptions – Impairment of goodwill; and » Note 8: Intangible assets. The Group's goodwill amounting to R1.56 billion as at 30 June 2023 arose from a number of business acquisitions by the Group over the years and represents the excess of the cost of acquisitions over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries. As described in note 8 to the consolidated financial statements, management determined the recoverable amount of cash-generating units ("CGUs") based on value in use. The value in use of the CGUs was calculated by management through discounting their best estimate of future cash flows attributable to the CGUs. The key assumptions and significant judgements used by management in the calculation of the value in use were as follows: » The estimated revenues to be earned from the CGUs; » The discount rate that takes into account the yield on government bonds, Beta, risk adjustment factors and a market risk premium; » Forecast period; and » An average growth rate, based on past performance and management's expectations of future earnings. We considered the goodwill impairment assessment to be a matter of most significance to the current year audit due to the following: » Management's calculation of the value in use of the CGUs involved significant judgments as described above; and » The magnitude of the goodwill balance in relation to consolidated total assets.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment assessment of goodwill. The procedures performed were as follows: » We assessed the valuation model applied by management to determine the value in use per CGU against the requirements of International Accounting Standard (IAS), Impairment of Assets (IAS 36); » We held discussions with management and obtained an understanding of management's budgeting process, including the process of approval by the directors in determining the future cash flows; » We agreed the inputs used in the projected cash flows, to the latest budgets approved by the directors; and » We compared the projected cash flows, including the assumptions relating to revenue growth rates, against historical actual growth rates and actual performance to assess the reasonability of management's budgeting process and projections. We utilised our valuation expertise to assess the reasonability of key inputs used by management in the value in use calculations as follows: » For the inputs used in the determination of the discount rates: • we compared the risk-free rate to the yields on government bonds; and • we compared the market risk premium and Beta used by management to those of similar listed entities. » We assessed the appropriateness of the discount rates used by management in the cash flow forecast, by comparing the discount rates against our own internally developed range of acceptable discount rates, which took into account current market conditions. Where management's discount rates fell outside of our independently determined range of rates, we recalculated the value in use of those CGUs using a discount rate that was within our independently determined range of discount rates; » We compared the average growth rate applied in the terminal period to the long term consumer price inflation forecast for South Africa. We did not note any aspect requiring further consideration; » Through discussions with management, we obtained an understanding of how risk adjustment factors are determined and compared these to industry valuation data; and » We assessed the reasonability of the forecast period, taking into account renewable revenue contracts and management's estimation of the timeframe during which newly acquired CGUs will gradually improve cash flow generation. We compared the projected growth rates to the Group's historic growth rates, with reference to signed agreements with clients for administration fees, managed healthcare fees, corporate wellness fees, capitation fees and the sale and distribution of pharmaceutical products, in order to assess the reasonability of the projected growth rates. We calculated a range of value in use for the different CGUs, using an independent range of assumptions arrived at through the procedures performed above. We compared these to the respective CGU's carrying amounts and noted that the value in use for each CGU was higher than the CGU's respective carrying amount. We did not note any material aspect requiring further consideration.

INDEPENDENT AUDITOR'S REPORT continued

Key audit matter	How our audit addressed the key audit matter
Capitalisation of development costs relating to internally generated software and impairment assessment of internally generated software Refer to the following notes to the consolidated financial statements for detail: » Note 1(f)(iv) Summary of accounting policies - Internally generated computer software development costs; » Note 2(h): Critical accounting estimates and assumptions - impairment of internally generated software; and » Note 8: Intangible assets. The Group's internally generated computer software balance of R932 million as at 30 June 2023 includes current year capitalised internally generated software ("software") amounting to R150 million. Management considers these capitalised costs to be clearly associated with identifiable products which will be controlled by the Group and have a profitable benefit exceeding the cost beyond one year. In capitalising these development costs, management considers whether the criteria in IAS 38, Intangible Assets is met and development expenditure that does not meet the above criteria are recognised as an expense in consolidated profit or loss as these are incurred. The Group's policy is to perform an annual impairment assessment using a discounted cash flow forecast on all software, regardless of whether an indication of impairment exists. Key assumptions applied by management in the cash flow forecast included the following: » the estimated revenues to be earned from the use of the assets and the period over which those revenues are projected; » the discount rate; and » risk adjustment factors used in deriving an appropriate discount rate applied to future estimated cash flows. We considered the capitalisation of development costs relating to software and the impairment assessment of the software to be a matter of most significance to the current year audit due to the following: » Significant judgement that was applied by management in assessing whether direct development costs such as employee expenses and contractor costs of the system development team met the recognition criteria in IAS 38 for capitalisation as an asset; » Recoverability of these assets is based on forecasting and discounting future cash flows which involves a high degree of judgement to be applied by management; and » The magnitude of capitalised development costs during the current year.	We performed the following audit procedures over the capitalisation of development costs relating to software: » Through discussion with management, we obtained an understanding of the methodology applied by management in the capitalisation of development costs relating to software; » On a sample basis, we assessed the development costs capitalised during the year, as well as the Group's accounting policy for capitalisation of development costs relating to software, against the requirements of IAS 38. We noted no material exceptions; » On a sample basis, by considering the nature of each activity performed by a software developer against the requirements for recognition as 'development' in terms of IAS 38, we assessed the appropriateness of management's rationale for the activities considered to be 'development'. We noted no material exceptions; » On a sample basis, we performed an independent verification of the professional qualifications of employees whose time had been capitalised during the year as development costs in terms of IAS 38, to assess whether those employees had the appropriate professional skills and competencies to develop software. We did not note any aspect requiring further consideration; » Through enquiry of management, we obtained an understanding of management's governance processes relating to the recording of time-based expenditure for capitalised development costs; » For a sample of employees, we tested the accuracy of the value of employee costs used in the capitalisation rate per hour with reference to their respective signed employment contracts and increase letters. We did not identify material exceptions; and » For a sample of employee costs capitalised, we recalculated the costs capitalised to the software by multiplying the capitalisation rate per hour by the time recorded as development hours. For a sample of consultant fees capitalised, we compared the amounts to the relevant invoices. No material exceptions were noted. We performed the following audit procedures over management's impairment assessment: » We held discussions with management and obtained an understanding of management's budgeting process, including the process of approval by the directors in determining the future cash flows; » We compared the projected cash flows, including the assumptions relating to revenue growth rates, against historical actual growth rates and actual performance, to assess the reasonability of management's budgeting process and projections. We noted no matters requiring further consideration; » We agreed the growth rates used in the projected cash flows of revenues to be earned from the use of the software, to the latest budgets approved by the directors; » We assessed the reasonability of the cashflow forecast, taking into account renewable revenue contracts and management's estimation of the timeframe for the renewal of such contracts. We did not note any aspect requiring further consideration; » We utilised our valuation expertise to assess the reasonability of inputs used in the determination of the discount rates as described in the key audit matter above. Based on the assessment performed, we accepted the inputs used by management in determining the discount rates; » We assessed the potential impact of market conditions on the earnings to be derived from the use of the software, by analysing the monthly actual cash flows derived from the use of the software during the current year. Based on our assessment, we accepted management's conclusion that no adjustments to projected cash flows were necessary; and » We calculated a range of value in use for the software determined from the discounted cash flows, using an independent range of assumptions arrived at through the procedures performed above. We compared these to the carrying amount of the software and noted that the value in use was higher than the carrying amount of the software.

INDEPENDENT AUDITOR'S REPORT continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "AfroCentric Group Annual Financial Statements 2023", which includes the Directors' Report, the Audit and Risk Committee Report and the Declaration by Group Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the document titled "AfroCentric Group Integrated Report 2023", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate 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 and will not express an audit opinion or 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material 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 is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group 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 ISAs, we exercise professional judgement and maintain professional scepticism 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 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.

INDEPENDENT AUDITOR'S REPORT continued

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of AfroCentric Investment Corporation Limited for eighteen years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: L Sihiya
Registered Auditor

Johannesburg, South Africa
18 September 2023

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

as at 30 June 2023

		Group			Company	
	Notes	2023 R'000	Restated* 2022 R'000	Restated* 2021 R'000	2023 R'000	2022 R'000
ASSETS						
Non-current assets						
Property and equipment	6.1	**647 871**	697 618	690 569	**–**	–
Right of use assets	6.2	**191 065**	147 964	176 924	**–**	–
Investment property	7	**10 731**	7 631	7 765	**–**	–
Intangible assets	8	**3 045 541**	3 076 336	2 782 866	**–**	–
Investments in associates and joint ventures	10	**49 148**	33 340	31 541	**–**	–
Investment in subsidiaries	11	**–**	–	–	**1 847 163**	428 144
Deferred tax assets	12	**82 881**	77 072	89 463	**–**	–
Other financial assets	14	**109 521**	75 736	29 661	**–**	–
Deferred payment assets	4.2	**4 427**	–	–	**–**	–
Total non-current assets		**4 141 185**	4 115 697	3 808 789	**1 847 163**	428 144
Current assets						
Inventory	13	**444 562**	431 764	421 563	**–**	–
Trade and other receivables	9.2	**740 695**	724 321	503 270	**17 580**	252
Current tax assets		**43 640**	27 235	32 560	**18**	59
Other financial assets	14	**–**	–	149 244	**–**	–
Cash and cash equivalents	9.3	**189 763**	138 589	198 940	**3 755**	3 201
Total current assets		**1 418 660**	1 321 909	1 305 577	**21 353**	3 512
Total assets		**5 559 845**	5 437 606	5 114 366	**1 868 516**	431 656

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION continued

as at 30 June 2023

	Notes	Group 2023 R'000	Group Restated* 2022 R'000	Group Restated* 2021 R'000	Company 2023 R'000	Company 2022 R'000
EQUITY AND LIABILITIES						
Equity						
Issued share capital	16.1	**21 294**	18 909	18 892	**21 294**	18 909
Share premium	16.2	**2 525 687**	1 094 876	1 084 696	**2 525 687**	1 094 876
Retained income/(Accumulated loss)		**859 252**	1 245 965	1 140 958	**(763 849)**	(735 520)
Other reserves	17	**36 684**	23 085	18 339	**34 115**	30 465
Capital contribution by non-controlling interest		**–**	55 874	55 874	**–**	–
Total equity attributable to owners of the parent		**3 442 917**	2 438 709	2 318 759	**1 817 247**	408 730
Non-controlling interests	18	**55 950**	987 772	920 511	**–**	–
Total equity		**3 498 867**	3 426 481	3 239 270	**1 817 247**	408 730
LIABILITIES						
Non-current liabilities						
Deferred tax liabilities	12	**223 131**	242 367	250 040	**–**	–
Other liabilities		**18 795**	18 886	10 487	**–**	–
Lease liabilities	9.6	**176 683**	127 790	156 353	**–**	–
Borrowings	9.5	**528 005**	531 082	655 785	**–**	–
Loan from group company	9.7	**–**	–	–	**38 474**	11 952
Contingent consideration	34	**–**	75 798	–	**–**	–
Total non-current liabilities		**946 614**	995 923	1 072 665	**38 474**	11 952
Current liabilities						
Employment benefit liabilities	20	**106 276**	143 122	130 616	**–**	–
Trade and other payables	9.4	**627 283**	647 820	464 243	**12 795**	10 974
Current tax liabilities		**9 031**	19 161	23 808	**–**	–
Lease liabilities	9.6	**67 644**	68 610	63 764	**–**	–
Borrowings	9.5	**120 000**	120 000	120 000	**–**	–
Deferred payment	35	**–**	14 139	–	**–**	–
Bank overdraft	9.3	**104 007**	2 350	–	**–**	–
Contingent consideration	34	**80 123**	–	–	**–**	–
Total current liabilities		**1 114 364**	1 015 202	802 431	**12 795**	10 974
Total liabilities		**2 060 978**	2 011 125	1 875 096	**51 269**	22 926
Total equity and liabilities		**5 559 845**	5 437 606	5 114 366	**1 868 516**	431 656

* *Refer to Note 38.1 for the details of the restatement*

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2023

	Notes	Group 2023 R'000	Group Restated* 2022 R'000	Company 2023 R'000	Company 2022 R'000
Revenue from contracts with customers	21	8 868 032	8 693 217	–	–
Dividends received	23	105	–	107 078	205 515
Fair value gains	23	16 245	6 369	–	–
Finance income	24	21 745	14 996	275	138
Other income		2 570	563	2 570	–
Total income		8 908 697	8 715 145	109 923	205 653
Cost of distribution of pharmaceutical products	22	(78 376)	(98 694)	–	–
Cost of pharmaceutical products and finished goods	22	(2 125 074)	(2 025 676)	–	–
Employee benefit costs	23	(2 445 087)	(2 340 458)	(2 648)	(4 714)
Other expenses	23	(1 225 988)	(1 028 724)	(35 039)	(17 776)
Capitation costs	38.2	(1 772 982)	(1 851 342)	–	–
Amortisation	8 & 15	(208 823)	(231 269)	–	–
Rent and property costs	23	(109 102)	(95 137)	–	–
Right of use assets depreciation	6.2 & 15	(65 380)	(61 606)	–	–
Depreciation	6.1 & 15	(82 976)	(87 138)	–	–
IT costs	23	(255 701)	(145 734)	–	–
Impairment of property and equipment	6.1 & 23	(25 000)	–	–	–
Write-off of intangible assets	8	(5 415)	(635)	–	–
Impairment of loans	23	(2 115)	(3 203)	–	–
Share of profits from associates and joint ventures	10	14 051	6 991	–	–
Interest on lease liabilities	19	(16 964)	(18 781)	–	–
Finance costs	24	(77 229)	(57 049)	(2 113)	(2 470)
Profit before tax	23	426 536	676 690	70 123	180 693
Income tax (expense)/credit – continuing operations	25	(131 654)	(190 963)	(54)	23
Profit from continuing operations		294 882	485 727	70 069	180 716
Loss from discontinued operations	15	–	(6 937)	–	–
Loss on disposal of subsidiaries	4	(198)	–	–	–
Profit for the year		294 684	478 790	70 069	180 716
Profit for the year attributable to:					
Owners of parent		182 673	312 804	70 069	180 716
Non-controlling interest	18	112 011	165 986	–	–
		294 684	478 790	70 069	180 716
Profit for the year attributable to equity shareholders arises from:					
Continuing operations		182 673	319 741	70 069	180 716
Discontinued operations	15	–	(6 937)	–	–
		182 673	312 804	70 069	180 716

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME continued

for the year ended 30 June 2023

	Notes	Group 2023 R'000	Group Restated* 2022 R'000	Company 2023 R'000	Company 2022 R'000
Profit for the year		294 684	478 790	70 069	180 716
Other comprehensive income					
Total other comprehensive income that will not be reclassified to profit or loss		(103)	(18)	–	–
Remeasurement of post-employment benefit obligations	23	(141)	(24)	–	–
Income tax relating to these items	25	38	6	–	–
Total other comprehensive income that will be reclassified to profit or loss		8 787	1 519	–	–
Exchange differences on translation of foreign operations					
Foreign exchange benefit of continuing operations		7 257	1 519	–	–
Cash flow hedges					
Gains on cash flow hedges		1 530	–	–	–
Total other comprehensive income net of tax		8 684	1 501	–	–
Total comprehensive income		303 368	480 291	70 069	180 716
Comprehensive income attributable to:					
Owners of parent		191 357	313 869	70 069	180 716
Non-controlling interests	18	112 011	166 422	–	–
		303 368	480 291	70 069	180 716
Earnings per share (cents) attributable to equity holders of the parent					
Basic earnings per share	26				
Basic earnings per share from continuing operations		30.56	55.52	–	–
Basic loss per share from discontinuing operations		–	(1.20)	–	–
Total basic earnings per share		30.56	54.32	–	–
Diluted earnings per share	26				
Diluted earnings per share from continuing operations		29.43	53.67	–	–
Diluted loss per share from discontinued operations		–	(1.16)	–	–
Total diluted earnings per share		29.43	52.51	–	–

* *Refer to Note 38.1 and 38.2 for the detail of the restatements.*

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2023

		Group						
	Notes	Ordinary share capital R'000	Share premium R'000	Other reserves R'000	Capital contri-bution by non-controlling interest** R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 July 2020 as previously reported		18 885	1 080 301	3 461	55 874	1 058 083	902 491	3 119 095
Decrease due to corrections of prior period errors*		–	–	–	–	(4 886)	(4 903)	(9 789)
Balance at 1 July 2020 as restated		18 885	1 080 301	3 461	55 874	1 053 197	897 588	3 109 306
Changes in equity								
Profit for the year		–	–	–	–	298 706	164 384	463 090
Other comprehensive income		–	–	8 493	–	129	(2 471)	6 151
Issue of equity - share-based payment awards exercised		7	4 395	(4 402)	–	–	–	–
Dividends recognised as distributions to shareholders		–	–	–	–	(194 788)	(132 923)	(327 711)
Increase through share-based payment transactions		–	–	10 787	–	–	–	10 787
Transactions with non-controlling interests		–	–	–	–	(15 011)	(4 989)	(20 000)
Disposal of subsidiary		–	–	–	–	(1 275)	(1 078)	(2 353)
Balance at 30 June 2021 as restated		18 892	1 084 696	18 339	55 874	1 140 958	920 511	3 239 270
Balance at 1 July 2021		18 892	1 084 696	18 339	55 874	1 140 958	920 511	3 239 270
Changes in equity								
Profit for the year		–	–	–	–	312 804	165 986	478 790
Other comprehensive income		–	–	1 083	–	(18)	436	1 501
Issue of equity - share-based payment awards exercised	16 & 17	17	10 180	(10 197)	–	–	–	–
Dividends recognised as distributions to shareholders	29	–	–	–	–	(195 137)	(98 780)	(293 917)
Transactions with non-controlling interests	18	–	–	–	–	(12 642)	(381)	(13 023)
Increase through share-based payment transactions		–	–	13 860	–	–	–	13 860
Balance at 30 June 2022 as restated		18 909	1 094 876	23 085	55 874	1 245 965	987 772	3 426 481

* *Refer to Note 38.1 for the detail of the restatement.*

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY continued

for the year ended 30 June 2023

	Notes	Group						
		Ordinary share capital R'000	Share premium R'000	Other reserves R'000	Capital contri-bution by non-controlling interest** R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 July 2022		18 909	1 094 876	23 085	55 874	1 245 965	987 772	3 426 481
Changes in equity								
Profit for the year		–	–	–	–	182 673	112 011	294 684
Other comprehensive income/(loss)		–	–	8 787	–	(103)	–	8 684
Issue of equity - share-based payment awards exercised	16 & 17	30	14 157	(14 187)	–	–	–	–
Dividends recognised as distributions to shareholders	29	–	–	–	–	(98 235)	(65 593)	(163 828)
(Decrease)/increase through treasury share transactions	16 & 17	(10)	–	1 162	–	(1 162)	–	(10)
Decrease through changes in ownership interests in subsidiaries	18	–	–	–	–	(525 760)	(978 240)	(1 504 000)
Increase through share-based payment transactions	17	–	–	17 837	–	–	–	17 837
Increase through additional issue of shares	16	2 365	1 416 654	–	–	–	–	1 419 019
Reclassification of capital contribution by non-controlling interest to retained earnings		–	–	–	(55 874)	55 874	–	–
Balance at 30 June 2023		21 294	2 525 687	36 684	–	859 252	55 950	3 498 867
Notes		16.1	16.2					

** *The capital contribution by non-controlling interest relates to Sanlam's portion of the WAD Holdings Proprietary Limited (WAD) contingent consideration payment on the acquisition of Glen Eden Trading 58 Proprietary Limited during the 2018 financial year, in order to retain their non-controlling level of ownership in ACT Healthcare Assets Proprietary Limited. During the current financial year, this contribution was reclassified to retained earnings pursuant to the asset for share transaction with Sanlam Group. Refer to note 18 for further details.*

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY continued

for the year ended 30 June 2023

		Company				
	Notes	Ordinary share capital R'000	Share premium R'000	Other reserves R'000	Accumulated loss R'000	Total R'000
Balance at 1 July 2021		18 892	1 084 696	26 802	(720 438)	409 952
Changes in equity						
Profit for the year		–	–	–	180 716	180 716
Issue of equity - share-based payment awards exercised	16	17	10 180	(10 197)	–	–
Dividends recognised as distributions to shareholders	29	–	–	–	(195 798)	(195 798)
Increase through share-based payment transactions	17	–	–	13 860	–	13 860
Balance at 30 June 2022		18 909	1 094 876	30 465	(735 520)	408 730
Balance at 1 July 2022		18 909	1 094 876	30 465	(735 520)	408 730
Changes in equity						
Profit for the year		–	–	–	70 069	70 069
Dividends recognised as distributions to shareholders	29	–	–	–	(98 398)	(98 398)
Increase through additional issue of shares	16	2 365	1 416 654	–	–	1 419 019
Issue of equity - share-based payment awards exercised	17	30	14 157	(14 187)	–	–
Decrease through treasury share transactions		(10)	–	–	–	(10)
Increase through share-based payment transactions	17	–	–	17 837	–	17 837
Balance at 30 June 2023		21 294	2 525 687	34 115	(763 849)	1 817 246
Notes		16.1	16.2			

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

for the year ended 30 June 2023

	Notes	Group 2023 R'000	Group 2022 R'000	Company 2023 R'000	Company 2022 R'000
Cash flows from operating activities					
Cash receipts from/(payments to) customers		**8 789 440**	8 517 273	**–**	(161)
Cash paid to suppliers and employees		**(7 986 009)**	(7 415 423)	**(36 217)**	(5 953)
Cash generated from/(utilised in) operations	27	**800 235**	1 101 850	**(36 217)**	(6 114)
Dividends paid	29	**(163 828)**	(293 917)	**(98 398)**	(195 798)
Dividends received		**105**	5 191	**107 078**	205 515
Interest paid		**(94 193)**	(76 403)	**(2 113)**	(2 470)
Interest received	24	**21 745**	15 086	**275**	138
Income taxes (paid)/refunded	28	**(182 370)**	(224 789)	**(13)**	1 039
Net cash generated from/(utilised in) operating activities		**381 694**	527 018	**(29 388)**	2 310
Cash flows from investing activities					
Cash flows from disposal of subsidiaries	4	**(3 629)**	–	**–**	–
Business combinations		**–**	(48 828)	**–**	–
Proceeds from sale of tangible assets		**8 312**	7 631	**–**	–
Settlement of deferred consideration	35	**(15 000)**	–	**–**	–
Purchase of tangible assets	6	**(74 729)**	(106 487)	**–**	–
Proceeds from sales of intangible assets		**–**	2 097	**–**	–
Purchase of intangible assets	8	**(183 691)**	(197 203)	**–**	–
Purchase of other financial assets	14	**(18 747)**	(40 182)	**–**	–
Net cash utilised in investing activities		**(287 484)**	(382 972)	**–**	–
Cash flows from financing activities					
Changes in ownership interests in subsidiaries that do not result in loss of control	18	**(84 981)**	(13 023)	**–**	–
Lease liabilities capital repayment	9.6	**(63 892)**	(70 540)	**–**	–
Capital settlement of borrowings	9.5	**(16 093)**	(144 703)	**–**	–
Proceeds of borrowings	9.5	**13 016**	20 000	**–**	–
Proceeds/(settlement) of loans from group companies		**–**	–	**29 942**	(2 375)
Net cash (utilised in)/generated from financing activities		**(151 950)**	(208 266)	**29 942**	(2 375)
Net (decrease)/increase in cash and cash equivalents before effect of exchange rate changes		**(57 740)**	(64 220)	**554**	(65)
Effect of exchange rate changes on cash and cash equivalents		**7 257**	1 519	**–**	–
Cash and cash equivalents at beginning of the year		**136 239**	198 940	**3 201**	3 266
Cash and cash equivalents at end of the year	9.3	**85 756**	136 239	**3 755**	3 201

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 30 June 2023

1. SUMMARY OF ACCOUNTING POLICIES

1(a) General information

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

The Company is incorporated and domiciled in South Africa. The address of its registered office is 37 Conrad Road, Florida North, Roodepoort, South Africa. The majority of the Company's shares are held by Sanlam Group.

These consolidated Annual Financial Statements have been approved for issue by the Board on 14 September 2023.

(i) Statement of compliance

The Company and the Group Annual Financial Statements were prepared in accordance with the requirements of the International Financial Reporting Standards (**IFRS**), interpretations issued in accordance to the IFRS Interpretations Committee (**IFRS IC**). These Annual Financial Statements have been issued in accordance with the requirements of the International Accounting Standards Board (**IASB**), the Companies Act, the JSE Listings Requirements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. 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 2022.

(ii) Basis of presentation

The principal accounting policies adopted are set out below and have been applied consistently 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 measured at fair value through profit or loss; and
» Investment property held at fair value using independent market valuations.

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

(iii) International Financial Reporting Standards and amendments effective for the first time for 30 June 2023 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 translation to IFRSs. A similar election is available to an associate or joint venture. The standard did not have a material impact on the Group.
IFRS 3 Business Combinations	Annual periods beginning on or after 1 January 2022	Reference to the conceptual framework: The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The standard did not have a material impact on the Group.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

1(a) General information *continued*

(iii) International Financial Reporting Standards and amendments effective for the first time for 30 June 2023 year-ends continued

IFRS	Effective date	Executive summary
IFRS 9 Financial Instruments	Annual periods beginning on or after 1 January 2022	Annual improvements to IFRS Standards 2018-2020: The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. The standard did not have a material impact on the Group.
IAS 16 Property, Plant and Equipment	Annual periods beginning on or after 1 January 2022	Property, Plant and Equipment: Proceeds before Intended Use: The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The standard did not 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 did not have a material impact on the Group.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

1(a) General information *continued*

(iv) International Financial Reporting Standards, interpretations and amendments issued but not effective for 30 June 2023 year-ends

IFRS	Effective date	Executive summary
IFRS 17 Insurance Contracts	Annual periods beginning on or after 1 January 2023	IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. » IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. » The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. » Insurance contracts are required to be measured based only on the obligations created by the contracts. » An entity will be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums. » This standard replaces IFRS 4 Insurance Contracts. Based on the Group's current year assessment, there is no significant insurance risk. The Group will keep assessing its risk up to effective date.
	An entity that elects to apply the amendment applies it when it first applies IFRS 17	The amendment permits entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The standard is not expected to have a material impact on the Group.
IAS 1 Presentation of Financial Statements	Annual periods beginning on or after 1 January 2023	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.
	Annual periods beginning on or after 1 January 2024	Non-current liabilities with Covenants: The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The standard is not expected to have a material impact on the Group.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

1(a) General information *continued*

(iv) International Financial Reporting Standards, interpretations and amendments issued but not effective for 30 June 2023 year-ends continued

IFRS	Effective date	Executive summary
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 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 future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets and liabilities for the first time. The aim of the amendment 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. International Tax Reform - Pillar Two Model Rules: The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes. The standard is not expected to have a material impact on the Group.
IFRS 16 Leases	Annual periods beginning on or after 1 January 2024	Lease Liability in a Sale and Leaseback: The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The standard is not expected to have a material impact on the Group.
IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosure	Annual periods beginning on or after 1 January 2024	Supplier Finance Arrangements: The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. The standard is not expected to have a material impact on the Group.

The Group did not early adopt any of the standards and interpretations not yet effective for 30 June 2023.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

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 Road, Florida North, Roodepoort, 1709.

(ii) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

(iv) Associates and joint ventures

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

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

1(b) Basis of consolidation *continued*

(iv) Associates and joint ventures continued

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

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

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

1(c) Foreign currency translation

(i) Functional and presentation currency

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

(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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

1(c) Foreign currency translation *continued*

(iii) Group companies continued

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.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

1(d) Property and equipment

Property and Equipment are initially recorded at cost. Subsequent these are measured at cost less accumulated depreciation and impairment.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount when they meet the recognition criteria of property and equipment. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

Leasehold improvements	two to ten years (depending on the lease term)
Right of use assets (refer 1(h))	two to ten years (depending on the lease term)
Computer equipment	three to seven years
Motor vehicles	five to six years
Furniture and fittings	five to ten years
Equipment	five to twenty years
Buildings	thirty to fifty years

Depreciation on an asset commences when it is available for use as intended by management.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Derecognition

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

1(e) Investment property

(i) Initial recognition

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

(ii) Subsequent measurement

An Investment property is subsequently measured at fair value per IAS 40 and gains and losses from the fair value adjustments are recognised in profit or loss. The valuation is prepared annually by an independent valuer. Refer to Note 7.3 for the valuation process.

The investment properties are valued on an annual basis.

(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. SUMMARY OF ACCOUNTING POLICIES CONTINUED

1(f) Intangible assets and goodwill

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

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

Computer software	two to five years
Customer relationships	five to ten years
Brands and intellectual property	ten years
Pharmaceutical dossiers	ten to twenty years
Internally developed computer software	less than fifteen years
Goodwill	indefinite

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

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of associates is included in the carrying amount of investments in associates and is tested for impairment as part of the overall balance. Goodwill on acquisitions of subsidiaries is included in intangible assets.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating unit (**CGUs**), 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

1(f) Intangible assets and goodwill *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, acute and chronic medicines. These are fair valued at acquisition date and subsequently will be amortised over their useful lives.

1(g) Impairment of assets

(i) 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 for impairment annually, as well as when there is an indication of impairment throughout the financial period. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are largely independent cash inflows (CGUs). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

1(h) Leases

(i) The Group is the lessee

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

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

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

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

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

Subsequent to initial recognition, the right of use assets are measured at cost less accumulated depreciation and impairment losses.

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. SUMMARY OF ACCOUNTING POLICIES CONTINUED

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 (**FVPL**);

» Financial assets subsequently measured at fair value through other comprehensive income (**FVOCI**); and

» Financial assets subsequently measured at amortised cost.

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

Cash comprises balances with the bank, cash on hand (e.g., petty cash) and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

(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 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:

» Debt investments that do not qualify for measurement at either amortised cost or FVOCI;

» Equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income (**OCI**).

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:

» 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; management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

1(i) Financial instruments (continued)

(i) Classification (continued)

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 FVPL.

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.

Reclassification

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.

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

Financial liabilities classification

The Group classifies financial liabilities into the following categories:

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

A financial liability is classified as at FVPL if it is designated as such on initial recognition.

(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, 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.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

1(i) Financial instruments (continued)

(iii) Subsequent measurement

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

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

Financial liabilities at FVPL 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.

(a) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses (**ECL**) 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 IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 9.1 for further details.

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

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

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

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2023 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

1(i) Financial instruments (continued)

(iii) Subsequent measurement (continued)

(b) 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.

1(j) Contingent liabilities

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

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

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

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

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

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

1(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a 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. SUMMARY OF ACCOUNTING POLICIES CONTINUED

1(l) Employee costs

(i) Pension and provident fund obligations

The Group operates a number of defined contribution plans, the assets of which are held in separate registered funds. The pension and provident plans are funded by payments from employees and by the Group, taking account of the recommendations of independent qualified actuaries. The funds are administered in terms of the Pension Funds Act and annual actuarial valuations are performed.

The Group's contributions to the defined contribution pension and provident plans are charged to the statement of comprehensive income in the year to which they relate. The Group has no further payment obligations once the contributions have been paid.

(ii) Post-employment medical obligations

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

Interest costs are charged to the statement of comprehensive income as finance costs.

(iii) Annual leave

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

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either:

» terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or

» providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

(v) Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided, to "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 Group has an incentive scheme (refer to Note 23 & 30). The expense is recognised as "Employee benefit costs" in the statement of comprehensive income. Factors that are taken into account when determining the incentive bonus amount include key performance indicators and performance of both the individual and the Company.

1(m) Investments in subsidiaries

Investments 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 services provided in the ordinary course of business.

The Group recognises revenue once performance obligations have been met.

All revenue excludes value added tax (**VAT**). All expenditure on which input VAT can be claimed, excludes VAT.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

1(n) Income and expense recognition *continued*

(i) Revenue from contracts with customers

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

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

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

Type of products/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Administration fees and healthcare insurance	Administration of the fund/scheme and insurance underwriting contracts, which could include processing claims, collecting payments, maintaining records, member administration.	The customer benefits as AfroCentric provides the service, thus revenue 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. The general practice of the clients is to issue an invoice to AfroCentric to bill for the penalties that have been incurred in the period where the service level agreement requirements have not been met. The penalties are not offset against the invoices issued to customers, but are rather recognised as an expense in the month in which the penalty is incurred. The penalties therefore do not give rise to 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

1(n) Income and expense recognition *continued*

(i) Revenue from contracts with customers continued

Type of products/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Pharmaceutical	Services provided vary across the agreements, but include the following: maintenance of stock of medicines required to fulfill scripts, contacting members to inform them of script expiry, delivery and dispensing of medicines per scripts.	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. The general practice of the clients is to issue an invoice to AfroCentric to bill for the penalties that have been incurred in the period where the service level agreement requirements have not been met. The penalties are not offset against the invoices issued to customers, but are rather recognised as an expense in the month in which the penalty is incurred. The penalties therefore do not give rise to variable consideration.
	Goods sold comprise various branded and generic pharmaceutical goods. Standard trade agreements are in place setting out the timing of payments to which the Company is entitled to.	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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

1(n) Income and expense recognition *continued*

(i) Revenue from contracts with customers continued

Type of products/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Health risk management fees – Medical aid schemes	Management services vary per customer contract, and per scheme option. Services within a specific option are indivisible.	The customer benefits as AfroCentric provides the service, thus revenue 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. The general practice of the clients is to issue an invoice to AfroCentric to bill for the penalties that have been incurred in the period where the service level agreement requirements have not been met. The penalties are not offset against the invoices issued to customers, but are rather recognised as an expense in the month in which the penalty is incurred. The penalties therefore do not give rise to 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 fees	Sales and marketing initiatives that support and promote the brand of our various clients.	The customer benefits as and when the Group entities render the services in terms of the signed contract. Marketing fees are paid by the customer monthly, which is in line with the frequency and timing of satisfying performance obligations under the contract. The fee charged for the marketing and sales distribution of the Sanlam Gap insurance product is based on five percent of gross written premium per month.
IT revenue and other	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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

1(n) Income and expense recognition *continued*

(i) Revenue from contracts with customers continued

Type of products/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Health risk management fees – Capitation funds	Fees are paid upfront i.e. it is a bona fide transfer of 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 compilation.	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 management of the Scheme(s) Road accident fund recovery process and for successful third-party recoveries which may be due back to the Scheme(s). These recoveries relate to past medical expenses previously paid by Medical Schemes and subsequently settled by the Road accident fund and paid back to the relevant Scheme(s). Recovery success fees are charged in line with rates agreed and set out in the relevant contracts with Schemes/third-parties. Management fees are also charged for the operational management and growth strategy of the Centriq Cell Captive.	The customer benefits as AfroCentric manages the Road accident fund recovery process, thus revenue is recognised over time. 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. On successful third-party recoveries, AfroCentric revenue is recognised at a point in time. Additional once-off services which are performed would also result in revenue recognised at a point in time as that service is provided. The fee charged for the management of the Centriq Cell Captive is based on the monthly profit generated on the cell. Payments occur 30 days from statement date.

(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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

1(o) Inventories

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

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

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

1(p) Taxation

(i) Direct taxation

Direct taxation includes all domestic and foreign taxes based on taxable profits and capital gains tax. Current tax is determined for current period transactions and events and deferred tax is determined for future tax consequences.

Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

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

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

Deferred tax is recognised in full, using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the annual financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. However, deferred tax is not recognised on:

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

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

(ii) Dividends tax

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

South African resident companies are exempt from 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

1(q) Dividends

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

1(r) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity.

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

When the Group reacquires its own equity instruments, those instruments (treasury shares) shall be deducted from equity. In the event that the shares are cancelled upon re acquisition, share capital and share premium are respectively reduced with the original issue price of the shares re acquired. Any difference between the original issue price and the re acquisition 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 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. At Company level, it is accounted for as equity-settled share-based payments seeing as employees of the company will be remunerated with shares in the holding company AfroCentric Investment Corporation Limited, for services rendered to the subsidiary company. 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) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision- Maker. The CFO, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Operating Decision-Maker, as the person that makes strategic decisions.

1(t) Incurred But Not Reported (IBNR)

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.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

1(u) Hedge Accounting

The Group has elected to apply IFRS 9 for hedge accounting. When such hedging opportunities are identified, the Group documents the relationship between hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction at the inception of the hedging transaction. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the hedging instrument that will be used in the hedging transaction is and will continue to be highly effective in offsetting changes in cash flows of the hedged item. The effective portion of changes in the foreign currency value of the hedging instrument that will be designated and qualifies as a cash flow hedge, is recognised in other comprehensive income and accumulates in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within investment income (if applicable). The tax charge on the accumulated foreign currency movements is also recognised in equity. When the highly probable forecast transaction is no longer expected to occur or a firm commitment hedge has expired, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed as follows:

2(a) Impairment of goodwill

The carrying amount of goodwill is tested annually for impairment (regardless of whether or not any indicators of impairment exist) in accordance with the requirements of IAS 36. The recoverable amount of the CGUs has been determined based on value-in-use calculation, being the net present value of the discounted cash flows of the CGU. Details of the main assumptions applied in determining the recoverable amount of the CGU are provided in Note 8 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 2023 was R659 million (June 2022: R705 million) and R3 046 million and (June 2022: R3 076 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 Notes 7.3 and 14 in these Annual Financial Statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS CONTINUED

2(e) Deferred tax assets

The deferred tax assets include an amount of R23.4 million (2022: R14.3 million) which relates to tax losses carried forward. 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 31.

(i) Contingent liabilities recognised on business combinations

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

When AfroCentric Investment Corporation Limited acquired AfroCentric Health (RF) Proprietary Limited (**AHL**), the company 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.

	Fair value R'000
2023	
Neil Harvey & Associates	**8 350**
Dossier registration milestone commitments	**8 620**
	16 970
2022	
Neil Harvey & Associates	8 350
Dossier registration milestone commitments	8 620
	16 970

	June 2023 R'000	June 2022 R'000
Carrying amount of litigation liability at the beginning of the year	**16 970**	8 350
Acquired through business combination	**–**	8 620
Fair value adjustments	**–**	–
Carrying amount of litigation liability at the end of the year	**16 970**	16 970

The contingent liabilities are included in the Other liabilities amount disclosed in the Non-current liabilities section on the face of the statement of financial position on pages 19 to 20 and further details are disclosed in Note 31.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

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

2(i) Useful lives of internally generated software

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

2(j) Principal versus agent considerations

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

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

2(k) IBNR reserve

The main assumptions 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 calculation 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 reserve.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

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 rest 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 9 for categories 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 currency translation risk in relation to its foreign operations in Namibia as the currency of this country is fixed to the South African Rand.

Cash flows from the Group's other foreign investments (Botswana and Mauritius) bear foreign currency translation risk. The most significant exposure is to the Mauritian Rupee, the Botswana Pula and the United States Dollar (**USD**). The impact of foreign currency translation risk on profit and loss amounted to R7 257 159 profit in the 2023 financial year (2022: R1 518 811 profit).

The Group manages its currency risk by minimising foreign exposure.

On 15 June 2023 the Group entered into a foreign currency forward contract to hedge against fluctuations in the US Dollar exchange rate, in order to settle a foreign creditor liability that amounted to $3.2 million USD. There was no liability at year end with the foreign creditor and thus resulted in a firm commitment. An amount of R1.53 million foreign exchange reserve was recognised in the current year through other comprehensive income.

When these hedges are entered into, they are designated as the hedge of a highly probable forecast transaction and accounted for as a cash flow hedge.

The hedging instrument is the foreign exchange currency (USD), and the hedged item is the forecast transaction for the payment of the foreign creditor. The hedge remains fully effective, and no hedge ineffectiveness was accounted for in profit or loss during the year.

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

	Group			
	2023		2022	
	Spot rate	Average rate	Spot rate	Average rate
Mauritian Rupee	**0.414**	**0.394**	0.357	0.350
Botswana Pula	**1.404**	**1.393**	1.332	1.319
United States Dollar	**18.924**	**17.769**	N/A	N/A

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

3. FINANCIAL RISK MANAGEMENT CONTINUED

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk from external borrowings. The balance as at 30 June 2023 on which the Group has exposure to variable interest rate risk is R752 million (2022: R653 million).

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 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 Revenue 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. The SARB has indicated their initial preference for the adoption of the South African Rand Overnight Index Average (**ZARONIA**) as the preferred unsecured candidate to replace JIBAR in cash and derivative instruments. ZARONIA has been published for the purposes of observing the rate and how it behaves, but has not been formally adopted by the SARB as the successor rate to JIBAR. Accordingly, there is still uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the Group.

The Group and Company have used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income and equity of an instantaneous increase of 2% (200 basis points) in the market interest rates for each class of financial instrument with all other variables remaining constant. The sensitivity analysis excludes the impact of market risks on net post-employment benefit obligations.

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

» Changes in market interest rates affect the interest income or expense of variable interest financial instruments; and

» Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair value.

Instruments exposed	Group Increase in 2% on statement of comprehensive income R'000		Company Increase in 2% on statement of comprehensive income R'000	
	2023	2022	**2023**	2022
Bank balances and short-term investments	**3 138**	4 066	**78**	58
Borrowings	**(14 437)**	(14 292)	**–**	–
Total	**(11 299)**	(10 226)	**78**	58

	Decrease in 2% on statement of comprehensive income R'000		Decrease in 2% on statement of comprehensive income R'000	
	2023	2022	**2023**	2022
Bank balances and short-term investments	**(3 138)**	(4 066)	**(78)**	(58)
Borrowings	**14 437**	14 292	**–**	–
Total	**11 299**	10 226	**(78)**	(58)

3. FINANCIAL RISK MANAGEMENT CONTINUED

(ii) Cash flow and fair value interest rate risk continued

Under these assumptions, a 2% increase in market interest rates at 30 June 2023 would decrease Group profit before tax by approximately R11 299 000 (June 2022: R10 266 000) and company profit before tax would increase by approximately R78 000 (June 2022: R58 000).

A decrease of 2% in market interest rates at 30 June 2023 would increase Group profit before tax by approximately R11 299 000 (June 2022: R10 266 000) and Company profit before tax would decrease by approximately R78 000 (June 2022: R58 000).

(iii) Credit risk

Credit risk arises from borrowings, cash and cash equivalents and other investments, that is, deposits with banks and financial institutions, as well as credit exposures to clients, including outstanding receivables and committed transactions. For banks and financial institutions only independently rated parties are accepted (refer to Note 9.3). If clients do not have an independent rating, risk control assesses the credit quality of the client, taking into account its financial position, past experience and other factors. Credit risk is managed at both the Group and Company level.

A significant portion of the Group's and Company's client base comprises high credit quality financial institutions. Refer to Note 9 for the rating table.

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

Expected credit losses assessment for individual customers as at 30 June 2023 and 30 June 2022

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

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

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

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

A regression analysis was performed to identify reasonable and supportable forward-looking information using the above macro-economic factors.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

3. FINANCIAL RISK MANAGEMENT CONTINUED

(iii) Credit risk continued

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

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

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

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

The following table provides information about the exposure to credit risk and ECL for trade receivables from individual customers as at 30 June 2023. Trade receivables' expected credit loss is calculated by using a combination of the weighted average loss rate and the time value money loss.

	Weighted average loss rate %	Gross carrying amount R'000	Loss allowance R'000	Credit impaired
30 June 2023				
Current (not past due)	**0.38**	**334 690**	**1 268**	**No**
30 days past due	**1.22**	**144 479**	**1 763**	**No**
60 days past due	**1.29**	**93 181**	**1 203**	**No**
90+ days past due*	**67.23**	**53 728**	**36 123**	**No**
Total		**626 078**	**40 357**	

* *The increase in the loss allowance for 90+ days past due is as a result of a re-assessment performed on the recoverability of the trade receivables of MMed Distribution Proprietary Limited on date of disposal.*

	Weighted average loss rate %	Gross carrying amount R'000	Loss allowance R'000	Credit impaired
30 June 2022				
Current (not past due)	0.95	337 424	3 217	No
30 days past due	0.90	184 814	1 665	No
60 days past due	8.21	6 092	500	No
90+ days past due	7.26	48 406	3 515	No
Total		576 736	8 897	

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 R6 261 000 and a 1% decrease will result in an increase in Group profit before tax of R4 182 000.

Expected credit losses 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.

Expected credit losses assessment for other financial assets measured at amortised cost

Other financial assets measured at amortised cost are assessed annually for expected credit losses based on an evaluation of the probability of default and the loss given default.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

3. FINANCIAL RISK MANAGEMENT CONTINUED

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities to meet debt repayment and operating requirements. Management monitors the cash position on a daily basis from a Group and Company level. Due to the dynamic nature of the underlying businesses, management ensures flexibility in funding by keeping committed credit facilities available.

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

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

	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	More than 1 year but not exceeding 2 years R'000	More than 2 years but not exceeding 5 years R'000	Total R'000
Year ended 30 June 2023 - Group							
Trade and other payables (Note 9.4)	(400 740)	(142 152)	(12 869)	(46 450)	(172)	–	(602 383)
Lease liabilities capital payments (Note 9.6)	(15 086)	(15 267)	(16 377)	(20 914)	(176 683)	–	(244 327)
– Payments	(19 221)	(19 147)	(19 994)	(24 307)	(215 886)	–	
– Interest	4 135	3 880	3 617	3 393	39 203	–	
Borrowings capital payments (Note 9.5)	(30 000)	(30 000)	(30 000)	(30 000)	(528 005)	–	(648 005)
– Payments	(49 189)	(43 719)	(45 835)	(43 572)	(570 136)	–	
– Interest	19 189	13 719	15 835	13 572	42 131	–	
Contingent consideration (Note 34)	–	(80 123)	–	–	–	–	(80 123)
– Capital payments	–	(85 000)	–	–	–	–	
– Interest	–	4 877	–	–	–	–	
Year ended 30 June 2022 - Group							
Trade and other payables (Note 9.4) Restated*	(483 724)	(1 358)	(100)	(127 083)	–	–	(612 265)
Lease liabilities capital payments (Note 9.6)	(17 199)	(16 282)	(13 262)	(21 867)	(70 670)	(57 120)	(196 400)
– Payments	(20 894)	(19 752)	(16 577)	(25 348)	(80 942)	(62 003)	
– Interest	3 695	3 470	3 315	3 481	10 272	4 883	
Borrowings capital payments (Note 9.5)	(30 000)	(30 000)	(30 000)	(30 000)	(531 082)	–	(651 082)
– Payments	(39 392)	(39 352)	(39 029)	(39 135)	(558 823)	–	
– Interest	9 392	9 352	9 029	9 135	27 741	–	
Contingent consideration (Note 34)	–	–	–	–	(75 798)	–	(75 798)
– Capital payments	–	–	–	–	(90 500)	–	–
– Interest	–	–	–	–	14 702	–	–
Deferred payment (Note 35)	–	(14 139)	–	–	–	–	(14 139)
– Capital payments	–	(15 000)	–	–	–	–	
– Interest	–	861	–	–	–	–	

* *Refer to Note 38.1 for the details of the restatement.*

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

3. FINANCIAL RISK MANAGEMENT CONTINUED

(iv) Liquidity risk continued

	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 years but not exceeding 5 years R'000	Total R'000
Year ended 30 June 2023 - Company							
Trade and other payables (Note 9.4)	**(10 880)**	**–**	**–**	**–**	**–**	**–**	**(10 880)**
Loan from group company (Note 9.7)	**–**	**–**	**–**	**–**	**–**	**(38 474)**	**(38 474)**
Year ended 30 June 2022 - Company							
Trade and other payables (Note 9.4)	(8 959)	–	–	–	–	–	(8 959)
Loan from group company (Note 9.7)	–	–	–	–	–	(11 952)	(11 952)

(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 monitor cash flow on the basis of the gearing ratio. This ratio is calculated as long-term debt divided by total capital employed. Total capital employed is calculated as equity as shown in the statement of financial position plus long-term debt.

The Group has assessed its appetite for gearing through an external consultation process in which more optimal gearing levels were considered in which it can comfortably still service its borrowing costs and related payback periods. This analysis indicated that the Group can absorb a 30% debt to equity ratio which is currently management's maximum borrowing level.

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.

	2023 R'000	Restated* 2022 R'000
Net debt	**562 249**	514 843
Non-current borrowings	**528 005**	531 082
Current borrowings	**120 000**	120 000
Bank overdraft	**104 007**	2 350
Less cash and cash equivalents	**(189 763)**	(138 589)
Total equity	**3 498 867**	3 426 481
EBITDA	**824 186**	1 054 201
Interest expense	**94 193**	75 830
Net debt to equity ratio	**16%**	15%
Net debt to EBITDA	**0.68:1**	0.49:1
Interest cover	**8.75:1**	13.78:1

* *Refer to Note 38.1 for the details of the restatement.*

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

4. DISPOSALS

4.1 Disposal of subsidiaries

The Group disposed of the following subsidiaries in the current financial year:

Subsidiary	Effective date of sale
» Private Health Administrators Proprietary Limited	1-Jul-22
» MMed Distribution Proprietary Limited	1-Jun-23

During the current financial year, the Group, through its subsidiary iThrive Business Solutions Proprietary Limited, disposed of 74% holding in Private Health Administrators Proprietary Limited which resulted in the remaining interest of 26% being held as an investment in associate (refer to Note 10 for details of the investment in associate).

During the current financial period, MMed Distribution Proprietary Limited (**MMed**) was disposed for a consideration of R2 to RH Bophelo. As part of this disposal, a systematic approach was followed to first cease the sale of consumables to hospitals, followed by the restructure of MMed through a transfer of its remaining business to Activo Health Proprietary Limited by way of acquisition of the remaining MMed assets and assumption of its liabilities, resulting in a zero net asset value remaining in MMed.

Details of the sale of the subsidiaries

	Private Health Administrators Proprietary Limited R'000	MMed Distribution Proprietary Limited R'000
Consideration received or receivable:		
Fair value of deferred consideration	3 946	–
Fair value of remaining investment	1 757	–
Total disposal consideration	5 703	–
Carrying amount of net assets sold	(5 901)	–
Loss on sale	(198)	–
Income tax expense on loss	–	–
Loss on sale after income tax	(198)	–

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

	Private Health Administrators Proprietary Limited R'000	MMed Distribution Proprietary Limited R'000
Property, plant and equipment	539	–
Other financial assets	327	–
Right of use assets	6 304	–
Deferred tax asset	746	–
Trade and other receivables	7 283	–
Cash and cash equivalents	3 629	–
Total assets	18 828	–

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

4. DISPOSAL NOTE CONTINUED

4.1 Disposal of subsidiaries *continued*

	Private Health Administrators Proprietary Limited R'000	MMed Distribution Proprietary Limited R'000
Lease Liability	7 580	–
Trade and other payables	4 111	–
Current tax liability	1 236	–
Total liabilities	12 927	–
Net assets	5 901	–
Non-distributable reserves	–	–
Non-controlling interest	–	–
Carrying amount of net assets sold	5 901	–
Cash flow on disposal of subsidiary		
Proceeds on sale of subsidiaries	–	–
Less cash balances disposed	(3 629)	–
Net cash outflow on disposal of subsidiaries	(3 629)	–

4.2 Deferred payment asset

As part of the purchase consideration for the disposal of the 74% of the shareholding in Private Health Administrators Proprietary Limited, it was agreed that the purchaser will forfeit dividends accrued to them to the maximum value of R5 million in favour of iThrive Business Solutions Proprietary Limited. The deferred payment asset represents the present value of the R5 million dividends that are receivable by iThrive Business Solutions Proprietary Limited.

	Group	
	2023 R'000	2022 R'000
Details of the Deferred payment asset:		
Asset arising at disposal	3 946	–
Payments made during the year	–	–
Finance Income	481	–
Balance at the end of the year	4 427	–

5. SEGMENT INFORMATION

The operating segments identified are examined from a service perspective (total healthcare versus IT) and geographical perspective (South Africa versus Africa). The geographical segments identified include all businesses outside of South Africa which include Botswana, Mauritius and Namibia. Individually, each business outside of South Africa is not material hence management has taken the decision to disclose all business outside of South Africa as a separate operating segment. All segments have been disclosed according to what the Chief Operating Decision-Maker reviews.

Nature of business segments

- Healthcare SA – consists of medical scheme administration and Health risk management services, of which Medscheme is the biggest contributor. These services are rendered in South Africa.
- Healthcare Retail – consists of pharmaceutical sales/services by Pharmacy Direct, MMed, Scriptpharm Risk Management, Curasana Wholesaler, Activo Health and Activo Healthcare Assets Group. These services are rendered in South Africa.
- Healthcare Africa – consists of all Healthcare services outside of South Africa (Namibia and Mauritius). This includes associate earnings (Botswana).
- IT – this relates to all IT-related services for the Group predominantly within South Africa.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

5. SEGMENT INFORMATION CONTINUED

5.1 Segment reporting

	Healthcare SA R'000	Healthcare Africa R'000	Healthcare Retail R'000	Total Healthcare R'000	Information Technology R'000	Intergroup eliminations R'000	Group R'000
Year ended 30 June 2023							
Gross revenue	4 471 288	234 836	4 464 637	9 170 761	651 877	(954 606)	8 868 032
Cost of distribution of pharmaceutical products	–	–	(78 376)	(78 376)	–	–	(78 376)
Cost of pharmaceutical products and finished goods	(49 620)	–	(2 152 392)	(2 202 012)	(14 984)	91 922	(2 125 074)
Capitation costs	(385 582)	–	(1 387 400)	(1 772 982)	–	–	(1 772 982)
Employee benefit costs	(1 937 880)	(95 072)	(305 564)	(2 338 516)	(148 954)	42 383	(2 445 087)
Other expenses	(1 773 474)	(46 936)	(344 013)	(2 164 423)	(312 570)	818 955	(1 658 038)
Amortisation of intangibles	(4 366)	(911)	(5 584)	(10 861)	(142 481)	(55 481)	(208 823)
Depreciation	(24 785)	(4 312)	(15 198)	(44 295)	(37 079)	(1 602)	(82 976)
Net finance (cost)/income	(20 200)	2 731	(33 491)	(50 960)	(4 524)	–	(55 484)
Finance income	1 622	2 752	–	4 374	30 789	(13 418)	21 745
Finance cost	(21 822)	(21)	(33 491)	(55 334)	(35 313)	13 418	(77 229)
Share-based payment expense	(14 935)	(228)	(2 264)	(17 427)	(678)	268	(17 837)
Net (impairment) of assets/ fair value gain	(46 583)	–	(4 961)	(51 544)	(25 000)	65 674	(10 870)
Fair value (loss)/gain	(45 279)	–	5 176	(40 103)	–	56 348	16 245
Impairment of assets	(1 304)	–	(10 137)	(11 441)	(25 000)	9 326	(27 115)
Share of profit of associates and joint ventures	14 051	–	–	14 051	–	–	14 051
Profit/(loss) before taxation	227 914	90 108	135 394	453 416	(34 393)	7 513	426 536
Income tax (expense)/credit	(77 140)	(25 282)	(43 894)	(146 316)	215	14 447	(131 654)
Profit/(loss) for the year	150 774	64 826	91 500	307 100	(34 178)	21 960	294 882
Net segments assets	1 739 003	191 515	1 759 636	3 690 154	1 605 207	264 484	5 559 845
Segments assets	1 734 924	146 446	1 759 636	3 641 006	1 605 207	264 484	5 510 697
Investments in associates and joint ventures	4 079	45 069	–	49 148	–	–	49 148
Segment liabilities	1 356 072	39 740	1 194 217	2 590 029	1 032 774	(1 561 825)	2 060 978
Additions to intangible assets	5 380	1 125	18 624	25 129	158 562	–	183 691
Additions to property and equipment	27 130	31 933	15 549	74 612	117	–	74 729

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued
for the year ended 30 June 2023

5. SEGMENT INFORMATION CONTINUED

5.1 Segment reporting *continued*

A subsidiary in the Healthcare SA segment was disposed of in the current year, resulting in a re-presentation of the prior year to discontinued operations. Refer to Note 15 for further details.

The cost of pharmaceutical products and finished goods relating to the Healthcare Retail segment was restated. Refer to Note 38.1 for further details.

	Healthcare SA R'000	Healthcare Africa R'000	Healthcare Retail R'000	Total Healthcare R'000	Information Technology R'000	Intergroup eliminations R'000	Group R'000
Year ended 30 June 2022 Restated*							
Gross revenue	4 317 725	210 125	4 403 758	8 931 608	673 735	(912 126)	8 693 217
Cost of distribution of pharmaceutical products**	–	–	(98 694)	(98 694)	–	–	(98 694)
Cost of pharmaceutical products and finished goods**	(45 533)	–	(1 961 529)	(2 007,062)	(13 292)	(5 322)	(2 025 676)
Capitation costs**	(372 544)	–	(1 468 201)	(1 840 745)	–	(10 597)	(1 851 342)
Employee benefit costs**	(1 848 561)	(83 845)	(298 723)	(2 231 129)	(155 193)	45 864	(2 340 458)
Other expenses**	(1 689 643)	(42 460)	(241 030)	(1 973 133)	(235 381)	872 308	(1 336 206)
Amortisation of intangibles	(3 430)	(778)	(4 816)	(9 024)	(153 764)	(68 481)	(231 269)
Depreciation	(28 619)	(4 043)	(17 199)	(49 861)	(35 401)	(1 876)	(87 138)
Net finance (cost)/income	(16 707)	1 529	(23 170)	(38 348)	(4 035)	330	(42 053)
Finance income	(6 147)	1 565	(3 728)	(8 310)	22 976	330	14 996
Finance cost	(10 560)	(36)	(19 442)	(30 038)	(27 011)	–	(57 049)
Share-based payment expense	(11 730)	(268)	(1 747)	(13 745)	(342)	239	(13 848)
Net fair value gain/(impairment) of assets	1 932	(762)	756	1 926	–	1 240	3 166
Fair value gain	5 553	–	756	6 309	–	60	6 369
Impairment of assets	(3 621)	(762)	–	(4 383)	–	1 180	(3 203)
Share of profit of associates and joint ventures	6 991	–	–	6 991	–	–	6 991
Profit before taxation	309 881	79 498	289 405	678 784	76 327	(78 421)	676 690
Income tax expense	(89 263)	(23 622)	(87 746)	(200 631)	(17 924)	27 592	(190 963)
Profit for the year	220 618	55 876	201 659	478 153	58 403	(50 829)	485 727
Net segments assets	1 369 913	158 833	1 642 772	3 171 518	1 729 601	536 487	5 437 606
Segments assets	1 368 059	127 347	1 642 772	3 138 178	1 729 601	536 487	5 404 266
Investments in associates and joint ventures	1 854	31 486	–	33 340	–	–	33 340
Segment liabilities	1 036 589	34 710	1 186 362	2 257 661	1 077 008	(1 323 543)	2 011 126
Additions to intangible assets***	3 142	521	36 888	40 551	177 742	309 178	527 471
Additions to property and equipment***	55 067	3 156	26 980	85 203	21 328	–	106 531

* *Refer to Note 38.1 for the detail of the restatement relating to cost of pharmaceutical products and finished goods.*

** *During the current financial period, the disclosure was revised to disaggregate material expense line items from Expenses as previously disclosed, to provide more relevant information for the users of the financial statements.*

*** *The additions include the acquisitions through business combinations.*

6. PROPERTY AND EQUIPMENT

6.1 Property and equipment

	Group						
	Land and buildings	Leasehold improve-ments	Equipment	Motor vehicles	Furniture and fittings	Computer equipment	Total
Reconciliation for the year ended 30 June 2023							
Balance at 1 July 2022							
At cost	338 200	14 852	126 881	29 382	160 040	429 890	1 099 245
Accumulated depreciation	(21 639)	(212)	(63 522)	(18 830)	(86 677)	(210 747)	(401 627)
Net book value	316 561	14 640	63 359	10 552	73 363	219 143	697 618
Movements for the year ended 30 June 2023							
Additions	**182**	**644**	**17 590**	**5 891**	**15 042**	**35 380**	**74 729**
Depreciation	**(4 841)**	**(1 657)**	**(9 723)**	**(3 556)**	**(14 981)**	**(48 218)**	**(82 976)**
Impairment of property and equipment*	**–**	**–**	**–**	**–**	**–**	**(25 000)**	**(25 000)**
Reclassification to Investment property**	**(4 850)**	**–**	**–**	**–**	**–**	**–**	**(4 850)**
Disposals	**–**	**(455)**	**(9 796)**	**(1 188)**	**(211)**	**–**	**(11 650)**
Property and equipment at the end of the year	**307 052**	**13 172**	**61 430**	**11 699**	**73 213**	**181 305**	**647 871**
Closing balance at 30 June 2023							
At cost	**333 597**	**14 960**	**130 565**	**33 207**	**173 744**	**432 722**	**1 118 795**
Accumulated depreciation	**(26 545)**	**(1 788)**	**(69 135)**	**(21 508)**	**(100 531)**	**(226 417)**	**(445 924)**
Accumulated impairment	**–**	**–**	**–**	**–**	**–**	**(25 000)**	**(25 000)**
Net book value at 30 June 2023	**307 052**	**13 172**	**61 430**	**11 699**	**73 213**	**181 305**	**647 871**

* *During the 2021 financial period, AfroCentric embarked on an IT infrastructure refresh process during which it acquired a Linux One server. During the implementation of the asset in the 2022 financial period it came to light that this server was not compatible with the majority of the other software used by the Group. Following efforts to return the asset or make it compatible with the Group's IT environment, an impairment loss has been recognised in the current financial year.*

** *This relates to a reclassification of investment property from property and equipment due to the fact that the property is leased to an unrelated third party.*

	Land and buildings	Leasehold improve-ments	Equipment	Motor vehicles	Furniture and fittings	Computer equipment	Total
Reconciliation for the year ended 30 June 2022							
Balance at 1 July 2021							
At cost	337 824	–	114 521	28 536	153 786	413 750	1 048 417
Accumulated depreciation	(16 320)	–	(57 796)	(14 678)	(82 246)	(186 808)	(357 848)
Net book value	321 504	–	56 725	13 858	71 540	226 942	690 569
Movements for the year ended 30 June 2022							
Additions	6 049	14 852	19 980	2 216	22 359	41 031	106 487
Acquisitions through business combinations	–	–	44	–	–	–	44
Depreciation	(6 886)	(212)	(12 352)	(5 397)	(16 623)	(45 829)	(87 299)
Disposals	(4 106)	–	(1 038)	(125)	(3 913)	(3 001)	(12 183)
Property and equipment at the end of the year	316 561	14 640	63 359	10 552	73 363	219 143	697 618
Closing balance at 30 June 2022							
At cost	338 200	14 852	126 881	29 382	160 040	429 890	1 099 245
Accumulated depreciation	(21 639)	(212)	(63 522)	(18 830)	(86 677)	(210 747)	(401 627)
Net book value at 30 June 2022	316 561	14 640	63 359	10 552	73 363	219 143	697 618

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

6. PROPERTY AND EQUIPMENT CONTINUED

6.2 Right of use assets

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 2023	
Opening carrying amount	**147 964**
Additions	**30 399**
Modifications	**84 825**
Disposals	**(6 743)**
Depreciation charge	**(65 380)**
Closing carrying amount	**191 065**
At 30 June 2023	
At cost	**443 604**
Accumulated depreciation	**(252 539)**
Closing carrying amount	**191 065**
Year ended 30 June 2022	
Opening carrying amount	176 924
Additions	42 941
Modifications/Disposals	(8 614)
Depreciation charge	(63 287)
Closing carrying amount	147 964
At 30 June 2022	
At cost	387 353
Accumulated depreciation	(239 389)
Closing carrying amount	147 964

7. INVESTMENT PROPERTY

7.1 Balances at year end and movements for the year

	Group		Company	
Reconciliation for the year	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Balance at the beginning of the year at fair value	**7 631**	7 765	**–**	–
Reclassification of investment property from property and equipment*	**4 850**	–	**–**	–
Fair value adjustment	**(1 750)**	(134)	**–**	–
Balance at the end of the year at fair value	**10 731**	7 631	**–**	–

* *This relates to a reclassification of Investment property from property and equipment due to the fact that the property is leased to an unrelated third party.*

7. INVESTMENT PROPERTY CONTINUED

7.2 Fair value measurements

Investment property consists of land situated at portion 108 (a portion of portion 27) of the farm Weltevreden 202 Roodepoort, South Africa and Portion 1 Erf 4172 Garsfontein, Registered Division JR City of Tshwane, Gauteng. Both properties are held for capital appreciation and are not occupied by the Group.

The valuation for portion 108 (a portion of portion 27) of the farm Weltevreden 202 Roodepoort was prepared by an independent valuer, J van der Hoven in July 2023, 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 valuation for Portion 1 Erf 4172 Garsfontein, Registered Division JR City of Tshwane, Gauteng was prepared by Ashton Eckler and Tebogo Digoamaje who are both independent valuers from DDP Valuation & Advisory Services Proprietary Limited in June 2023.

The fair value of portion 108 (a portion of portion 27) of the farm Weltevreden was determined based on comparable sales method.

The fair value of Portion 1 Erf 4172 Garsfontein, has been determined using the Income Approach method of valuation. This method of valuation involves the capitalisation of the net normalised income to determine a market value of the subject property. The total revenue and expenses of the subject property must therefore be calculated before a capitalisation rate can be applied.

Based on the 2023 property valuation report for portion 108 (a portion of portion 27) of the farm Weltevreden, the fair value has remained unchanged from the valuation performed in July 2022.

Based on the property valuation report for Portion 1 Erf 4172 Garsfontein, a slight decrease in fair value was noted and a fair value loss was recognised accordingly. This is due to stagnant rental figures in the sector, a continual increase in property operating costs and an ongoing increase in vacancy rates.

7.3 Recognised fair value measurements

Fair value hierarchy

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

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

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices); and

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 either the comparable sales method or the Income approach method of valuation.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

7. INVESTMENT PROPERTY CONTINUED

7.3 Recognised fair value measurements *continued*

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

	Investment property R'000
Opening balance	7 631
Reclassification of investment property from property and equipment	4 850
Additions	–
Fair value losses	(1 750)
Closing balance	**10 731**

Valuation inputs and relationships to fair value

The fair value of portion 108 (a portion of portion 27) of the farm Weltevreden 202 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.

The fair value of the Portion 1 Erf 4172 Garsfontein is derived by an external property valuer using the Income approach method. In applying this approach the valuer used market value determined by capitalising the first year's normalised net operating income.

Management reviews the valuation performed by the external valuer and is satisfied that the inputs used by the external property valuer are reasonable. The investment property is valued on an annual basis.

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

Description	Fair value at 30 June 2023	Unobservable inputs	Input value used	Sensitivity of unobservable inputs on profit and loss
Investment property - Roodepoort	7 631	Price per block building rights per square metre	R445	If the fair value per square metre increased by 10% then the value of the property would increase by R763 100 in profit or loss. If the fair value per square metre decreased by 10% then the value of the property would decrease by R763 100 in profit or loss.
Investment property - Garsfontein	3 100	Net rentable area	R454	If the fair value per square metre increased by 10% then the value of the property would increase by R310 000 in profit or loss. If the fair value per square metre decreased by 10% then the value of the property would decrease by R310 000 in profit or loss.

8. INTANGIBLE ASSETS

	Group						
	Brands and intellectual property R'000	Pharma-ceutical dossiers** R'000	Internally developed computer software R'000	Computer software R'000	Goodwill R'000	Customer relation-ships R'000	Total R'000
Reconciliation for the year ended 30 June 2023							
At 30 June 2022							
At cost	37 416	512 862	1 334 228	475 944	1 607 941	386 851	4 355 242
Accumulated amortisation	(37 416)	(84 957)	(413 372)	(355 102)	–	(267 343)	(1 158 190)
Accumulated impairment	–	–	(13 926)	(57 345)	(49 445)	–	(120 716)
Closing carrying amount 30 June 2022	–	427 905	906 930	63 497	1 558 496	119 508	3 076 336
Movements for the year ended 30 June 2023							
Additions	–	12 877	149 516	21 298	–	–	183 691
Amortisation	–	(30 721)	(119 213)	(30 929)	–	(27 960)	(208 823)
Disposals	–	–	–	(248)	–	–	(248)
Write-off	–	–	(5 415)	–	–	–	(5 415)
Carrying value at 30 June 2023	–	410 061	931 818	53 618	1 558 496	91 548	3 045 541
At 30 June 2023							
At cost*	37 416	525 739	1 478 330	238 369	1 607 941	386 851	4 274 646
Accumulated amortisation*	(37 416)	(115 678)	(532 586)	(162 189)	–	(295 303)	(1 143 172)
Accumulated impairment*	–	–	(13 926)	(22 562)	(49 445)	–	(85 933)
Closing carrying amount	–	410 061	931 818	53 618	1 558 496	91 548	3 045 541

* *The decrease in the values for Computer software is due to the derecognition of the cost (R171.8 million), accumulated amortisation (R137.0 million) and accumulated impairment (R34.8 million) of the FICO software which was fully impaired in the 2021 financial period.*

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

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8. INTANGIBLE ASSETS CONTINUED

	Group – Restated***						
	Brands and intellectual property R'000	Pharma-ceutical dossiers** R'000	Internally developed computer software R'000	Computer software R'000	Goodwill R'000	Customer relation-ships R'000	Total R'000
Reconciliation for the year ended 30 June 2022							
At 30 June 2021							
Cost	47 873	297 566	1 114 938	547 743	1 456 942	368 469	3 833 531
Accumulated amortisation	(41 581)	(31 253)	(317 019)	(277 386)	–	(255 374)	(922 613)
Accumulated impairment	–	–	(13 926)	(64 681)	(49 445)	–	(128 052)
Closing carrying amount 30 June 2021	6 292	266 313	783 993	205 676	1 407 497	113 095	2 782 866
Movements for the year ended 30 June 2022							
Acquisitions through business combinations*	–	179 269	–	–	150 999	–	330 268
Additions	–	8 898	152 280	36 025	–	–	197 203
Amortisation	(806)	(37 201)	(111 782)	(47 558)	–	(33 922)	(231 269)
Reclassifications***	(5 486)	12 480	82 439	(129 768)	–	40 335	–
Disposals	–	(1 219)	–	(878)	–	–	(2 097)
Write-off	–	(635)	–	–	–	–	(635)
Carrying value at 30 June 2022	–	427 905	906 930	63 497	1 558 496	119 508	3 076 336
At 30 June 2022							
At cost	37 416	512 862	1 334 228	475 944	1 607 941	386 851	4 355 242
Accumulated amortisation	(37 416)	(84 957)	(413 372)	(355 102)	–	(267 343)	(1 158 190)
Accumulated impairment	–	–	(13 926)	(57 345)	(49 445)	–	(120 716)
Closing carrying amount 30 June 2022	–	427 905	906 930	63 497	1 558 496	119 508	3 076 336

* *The recognition of goodwill (R150.9 million) and pharmaceutical dossiers (R179.3 million) is as a result of the business combinations in the prior 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.*

*** *In the current financial year the Group performed a detailed review of the classes of intangible assets to ensure that the disclosure in the financial statements aligns to the underlying accounting records. Reclassifications were performed to correct the prior period classification error. The total intangible asset value was not impacted by the reclassification.*

8. INTANGIBLE ASSETS CONTINUED

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

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Healthcare administration SA CGU	**493 363**	493 363	**–**	–
Medscheme - Healthcare administration	**274 972**	274 972	**–**	–
Medscheme – Health risk management	**104 155**	104 155	**–**	–
Aid for AIDS Management Proprietary 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	**–**	–
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	**–**	–
Denis Group	**34 918**	34 918	**–**	–
Healthcare administration Africa CGU	**15 535**	15 535	**–**	–
Medscheme Mauritius Limited – local	**4 969**	4 969	**–**	–
Medscheme Mauritius Limited – international	**10 566**	10 566	**–**	–
Healthcare Retail SA CGU	**1 049 598**	1 049 598	**–**	–
Pharmacy Direct, Curasana and Glen Eden	**473 954**	473 954	**–**	–
Activo and Activo Healthcare Assets Group	**575 644**	575 644	**–**	–
Total	**1 558 496**	1 558 496	**–**	–

Management determines the recoverable amount of Cash Generating Units (CGUs) as being the higher of fair value less costs to sell or value in use. In the absence of an active market, value in use is used to determine the recoverable amount. A traditional method of discounting management's best estimate of future cash flows attributable to the CGU has been applied to determine the value in use. A growth rate has been applied to cash flow streams to take into account the effect of inflation as well as business-specific expectations.

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

- » The estimated revenues to be earned from the use of the assets;
- » The forecast period over which those revenues are projected;
- » An average growth rate;
- » The pre-tax discount rate that takes into account the yield on government bonds, Beta and a market risk premium;
- » Risk adjustment factors used in deriving an appropriate discount rate applied to future estimated cash flows;
- » The rate on government bonds (risk-free rate) of 9.17% as at 30 June 2023 (30 June 2022: 10.50%);
- » A market risk premium of 11.87% (2022: 7.0%) is justified as the overall risk is to the downside; and
- » The Beta (ß) is 0.392 as at 30 June 2023 (30 June 2022: 0.464).

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

8. INTANGIBLE ASSETS CONTINUED

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

	Recoverable amount R'000	Excess of recoverable amount over carrying value R'000	Discount rate	Forecast period	Average growth rate	Perpetuity growth rate
2023						
Medscheme – admin and managed care*	**2 681 122**	**1 863 936**	**12.55**	**5 years**	**8%**	**5%**
Activo Group	**1 797 311**	**332 105**	**12.92**	**5 years**	**21%**	**5%**
Pharmacy Direct, Curasana and Glen Eden	**1 057 664**	**277 970**	**12.92**	**5 years**	**15%**	**5%**
2022						
Medscheme – admin and managed care	5 391 550	4 737 912	12.42	5 years	6%	5%
Activo Group	1 646 909	139 171	12.78	5 years	15%	6%
Pharmacy Direct, Curasana and Glen Eden	916 936	131 678	12.78	5 years	15%	6%

* *The calculated recoverable amount was corrected to include appropriate allocation of overhead costs to the Medscheme CGU not previously accounted for. This correction was made in the current year only. The recoverable amount still significantly exceeds the carrying amount.*

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 is expected to have on future earnings noted below: Medscheme – admin and managed care: » Business is expected to continue steadily, with membership growth expected to be linked to muted economic growth; » Management has embarked on effective cost savings initiatives through early investment in systems development. This increased IT capacity has now been applied to greater scale and through improved procedural efficiencies; » The Group will continue with system renewals to explore better and more cost-efficient ways in servicing and engaging its customers/members; and » These programmes are expected to enable the Group to achieve 8% growth. Activo Group, Pharmacy Direct, Curasana and Glen Eden: » Business is expected to see growth from the renewal of the CCMDD contract through increased script volumes; » Significant focus is being placed on increasing script volumes in the private sector; and » The trends are expected to continue in the forecast period.
Discount rate (%)	Discount rate the company is expected to pay on average to all its security holders to finance its assets which reflects specific risks to the relevant CGU.

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

Pharmacy Direct, Curasana and Glen Eden	Discount rate		Growth rate Worst case R'000 10%	Base case R'000 15%	Best case R'000 20%
30 June 2023	Worst case	14.17%	732 258	913 707	1 158 092
	Base case	12.92%	833 449	1 057 664	1 366 877
	Best case	11.55%	981 008	1 275 050	1 696 343

Activo Group	Discount rate		Growth rate Worst case R'000 16%	Base case R'000 21%	Best case R'000 26%
30 June 2023	Worst case	14.17%	1 212 236	1 545 792	1 980 869
	Base case	12.92%	1 386 677	1 797 311	2 348 824
	Best case	11.55%	1 641 466	2 177 606	2 930 145

8. INTANGIBLE ASSETS CONTINUED

If the growth rate for the Pharmacy Direct, Curasana and Glen Eden CGU reduces by 9.47%, the recoverable amount will equal the carrying value.

If the growth rate for the Activo Group CGU reduces by 3.47%, the recoverable amount will equal the carrying amount.

Pharmacy Direct, Curasana and Glen Eden		Discount rate	Growth rate Worst case R'000 14%	Growth rate Base case R'000 15%	Growth rate Best case R'000 16%
30 June 2022	Worst case	14.02%	690 671	776 508	840 725
	Base case	12.78%	801 094	916 936	1 003 838
	Best case	11.42%	968 473	1 139 596	1 269 759

Activo Group		Discount rate	Growth rate Worst case R'000 14%	Growth rate Base case R'000 15%	Growth rate Best case R'000 16%
30 June 2022	Worst case	14.02%	1 220 691	1 389 900	1 604 171
	Base case	12.78%	1 420 485	1 646 909	1 945 541
	Best case	11.42%	1 723 603	2 054 760	2 520 796

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

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

(i) Impairment assessment

During the period under review, management embarked on a process of assessing the intangible assets for potential impairment.

No impairments were identified in the prior period.

In the current period, the following internally generated software was written off:

» R5.4 million in respect of the Data Lake software.

9. FINANCIAL INSTRUMENTS

Financial assets by category	Group At fair value through other comprehensive income R'000	Group At fair value through profit or loss R'000	Group At amortised cost R'000
Year ended 30 June 2023			
Other financial assets (Note 14)	**1 530**	**78 233**	**29 758**
Trade and other receivables excluding prepayments (Note 9.2)	**–**	**–**	**683 347**
Cash and cash equivalents (Note 9.3)	**–**	**–**	**189 763**
Total financial assets	**1 530**	**78 233**	**902 868**

	At fair value through profit or loss R'000	At amortised cost R'000
Year ended 30 June 2022		
Other financial assets (Note 14)	65 013	10 723
Trade and other receivables excluding prepayments (Note 9.2)	–	688 714
Cash and cash equivalents (Note 9.3)	–	138 589
Total financial assets	65 013	838 026

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

9. FINANCIAL INSTRUMENTS CONTINUED

Financial assets by category	Company At amortised cost R'000
Year ended 30 June 2023	
Trade and other receivables excluding prepayments (Note 9.2)	**17 263**
Cash and cash equivalents (Note 9.3)	**3 755**
Total financial assets	**21 018**
Year ended 30 June 2022	
Cash and cash equivalents (Note 9.3)	3 201

Financial liabilities by category	Group At amortised cost R'000
Year ended 30 June 2023	
Lease liabilities (Note 9.6)	**244 327**
Borrowings (Note 9.5)	**648 005**
Trade and other payables excluding non-financial liabilities (Note 9.4)	**602 383**
Bank overdraft (Note 9.3)	**104 007**
Total financial liabilities	**1 598 722**
Year ended 30 June 2022	
Lease liabilities (Note 9.6)	196 400
Borrowings (Note 9.5)	651 082
Trade and other payables excluding non-financial liabilities (Note 9.4) Restated*	612 265
Bank overdraft (Note 9.3)	2 350
Total financial liabilities	1 462 097

* *Refer to Note 38.1 for the details of the restatement.*

Financial liabilities by category	Company At amortised cost R'000
Year ended 30 June 2023	
Loan from group company (Note 9.7)	**38 474**
Trade and other payables excluding non-financial liabilities (Note 9.4)	**10 880**
Total financial liabilities	**49 354**
Year ended 30 June 2022	
Loan from group company (Note 9.7)	11 952
Trade and other payables excluding non-financial liabilities (Note 9.4)	8 959
Total financial liabilities	20 911

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

9. FINANCIAL INSTRUMENTS CONTINUED

9.1 Trade receivables

Ageing of trade and other receivables	Group Current R'000	Group 30 days R'000	Group 60 days R'000	Group 90+ days R'000	Group Total R'000
30 June 2023					
Net trade debtors	333 422	142 716	91 978	17 605	585 721
Gross trade debtors	334 690	144 479	93 181	53 728	626 078
Expected credit losses	(1 268)	(1 763)	(1 203)	(36 123)	(40 357)
Other receivables	6 952	–	–	604	7 556
Net sundry debtors	52 757	309	–	27 401	80 467
Gross sundry debtors	52 757	309	–	56 882	109 948
Expected credit losses	–	–	–	(29 481)	(29 481)
Deposits	9 478	–	–	125	9 603
30 June 2022					
Net trade debtors	334 207	183 149	5 592	44 891	567 839
Gross trade debtors	337 424	184 814	6 092	48 406	576 736
Expected credit losses	(3 217)	(1 665)	(500)	(3 515)	(8 897)
Other receivables	5 357	–	–	5	5 362
Net sundry debtors	62 332	–	–	45 484	107 816
Gross sundry debtors	62 332	–	–	64 578	126 910
Expected credit losses	–	–	–	(19 094)	(19 094)
Deposits	7 306	–	–	391	7 697

	Group 2023 R'000	Group 2022 R'000	Company 2023 R'000	Company 2022 R'000
Disclosure of trade debtors				
Gross trade debtors	626 078	576 736	17 263	–
Loss allowance for trade receivables as below	(40 357)	(8 897)	–	–
Net trade debtors	585 721	567 839	17 263	–

Movement in the loss allowance for trade receivables are as follows:

	Group 2023 R'000	Group 2022 R'000	Company 2023 R'000	Company 2022 R'000
At the beginning of the year	8 897	18 818	–	–
Increase/(decrease) in loss allowance recognised in profit or loss during the year	31 460	(5 646)	–	–
Written off during the year	–	(4 275)	–	–
At the end of the year	40 357	8 897	–	–

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

9. FINANCIAL INSTRUMENTS CONTINUED

9.1 Trade receivables *continued*

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 2023 and the corresponding historical credit losses experienced within this period. The historical loss rate has been adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the annual gross domestic product (**GDP**) rate, average prime lending rate, inflation rate and unemployment rate to be the most relevant factors and accordingly, adjusts the historical loss rates based on expected changes in these factors.

9.2 Trade and other receivables

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Trade debtors	585 721	567 839	17 263	–
Sundry debtors	80 467	107 816	–	–
Prepayments*	57 348	35 607	317	252
Deposits	9 603	7 697	–	–
Other receivables	7 556	5 362	–	–
Total trade and other receivables	**740 695**	724 321	**17 580**	252

* *Prepayments are not financial instruments but are included in trade and other receivables. Included in prepayments is R36 million relating to prepaid software licenses and other IT support costs, as well as R12.4 million relating to retention bonuses paid.*

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

9.3 Cash and cash equivalents

	Group		Company	
Cash at bank and short-term deposits	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Ba2 – FNB Limited**	–	5 436	–	–
AA – Bank Windhoek Limited*	18 166	21 297	–	–
Ba2 – Nedbank Limited**	156 150	104 214	3 755	3 201
Ba2 – Standard Bank Limited**	4 432	51	–	–
Ba2 - Absa Bank Limited**	1 472	1 326	–	–
A3 - CitiBank Limited**	9 169	4 659	–	–
BBB - Mercantile Bank Limited**	374	1 606	–	–
Total cash at bank and short-term bank deposits included in current assets	**189 763**	138 589	**3 755**	3 201
Bank overdrafts - Nedbank Limited**	104 007	2 350	–	–
Total overdrawn cash and cash equivalents included in current liabilities	**104 007**	2 350	–	–

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

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

9. FINANCIAL INSTRUMENTS CONTINUED

9.3 Cash and cash equivalents *continued*

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

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

The ratings for Mercantile Bank Limited were obtained from Fitch ratings.

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.

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

BBB A lower-medium-grade credit rating which suggests a company has an adequate but not overly strong ability to meet all its financial commitments. Obligations under BBB score are more vulnerable to adverse economic conditions.

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Cash	159 414	94 523	3 755	3 201
Bank overdrafts	(104 007)	(2 350)	–	–
Short term deposits*	30 349	44 066	–	–
Net cash and cash equivalents	85 756	136 239	3 755	3 201

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

9.4 Trade and other payables

	Group		Company	
	2023 R'000	Restated** 2022 R'000	2023 R'000	2022 R'000
Trade payables*	301 977	301 714	768	309
Payroll creditors	54 036	46 335	1 362	–
Accruals	165 039	159 954	1 095	748
Shareholders for dividends	6 766	9 054	3 214	5 502
Other payables*	74 565	95 208	4 441	2 400
Provisions	16 695	15 216	1 915	2 015
IBNR Provision	8 205	20 339	–	–
Total trade and other payables	627 283	647 820	12 795	10 974

* *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.*

** *Refer to Note 38.1 for the detail of the restatement.*

9.5 Borrowings

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Nedbank facility (1 year +)	528 005	531 082	–	–
Nedbank facility (0 - 1 year)	120 000	120 000	–	–
Total borrowings	648 005	651 082	–	–

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9. FINANCIAL INSTRUMENTS CONTINUED

9.5 Borrowings *continued*

Movement in borrowings are as follows:

	June 2023 R'000	June 2022 R'000
At the beginning of the period	**651 082**	775 785
Borrowings acquired during the period	**13 016**	20 000
Interest accrued	**50 027**	46 295
Interest repaid	**(50 027)**	(46 295)
Capital repaid	**(16 093)**	(144 703)
Balance at the end of the year	**648 005**	651 082

The credit facility agreement was entered into with Nedbank in March 2019. The full capital repayment which was due at the end of the 5-year term (March 2024) was extended in the current financial period by one year to March 2025. The R120 million current liability is based on management's expectation of the quarterly interest obligation and voluntary capital repayment.

The Nedbank facility equals a total of R900 million consisting of Revolving Credit facility of R600 million and General Banking facility of R300 million. R648 million, inclusive of accrued interest, has been utilised by the Group of which amounts have been 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.

Compliance with loan covenants

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)).

9.6 Lease liabilities

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Non-current liabilities	**176 683**	127 790	**–**	–
Current liabilities	**67 644**	68 610	**–**	–
Total lease liabilities	**244 327**	196 400	**–**	–

Movement in lease liabilities are as follows:

	June 2023 R'000	June 2022 R'000
At the beginning of the period	**196 400**	220 117
Lease liabilities recognised per IFRS 16	**33 631**	14 564
Modifications	**84 825**	32 268
Interest accrued	**16 964**	19 354
Lease write-off	**(6 637)**	–
Rental payments made	**(80 856)**	(89 903)
Balance at the end of the year	**244 327**	196 400

9. FINANCIAL INSTRUMENTS CONTINUED

9.7 Loans from group company

Loans from group company comprise the following balances:

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
AfroCentric Health (RF) Proprietary Limited	–	–	(38 474)	(11 952)
Non-current liabilities	–	–	(38 474)	(11 952)

The loan is unsecured, bears interest and is repayable after 5 years.
Subsequent to initial recognition, the loan is measured at amortised cost.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

In the current financial year, the Group has two investments in associates being Associated Fund Administrators Botswana Proprietary Limited and Private Health Administrators Proprietary Limited. The Group also has a joint venture investment in Warona Health Services Proprietary Limited.

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

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, 74% of the shareholding in Private Health Administrators Proprietary Limited was sold (refer to Notes 4 & 15), resulting in 26% shareholding remaining in the Group.

Private Health Administrators is incorporated in South Africa where its principal business is. The company is an independent medical scheme administrator.

Warona Health Services Proprietary Limited is engaged in the provision of occupational health and emergency medical service offerings. The company is incorporated in South Africa where its principal business is.

	Group		Company	
	June 2023 R'000	June 2022 R'000	June 2023 R'000	June 2022 R'000
Carrying value of investment in associate	48 007	32 983	–	–
Carrying value of investment in joint venture	1 141	357	–	–
Total investments in associates and joint ventures	49 148	33 340	–	–

	Reporting date	Number of shares held	Nature of relationship	Percentage holdings	Opening carrying amount R'000	Share after tax profit/ (losses) R'000	Dividends received R'000	Additions/ (disposals) R'000	30 June 2023 Closing carrying amount R'000
Associated Fund Administrators Botswana Proprietary Limited	30 September	3 408 218	Associate	40%	32 983	12 086	–	–	45 069
Private Health Administrators Proprietary Limited	30 June	26	Associate	26%	–	1 181	–	1 757	2 938
Warona Health Services Proprietary Limited	30 June	49	Joint Venture	49%	357	784	–	–	1 141
Total					33 340	14 051	–	1 757	49 148

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10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES CONTINUED

	Reporting date	Number of shares held	Nature of relationship	Percentage holdings	Opening carrying amount R'000	Share after tax profit/ (losses) R'000	Dividends received R'000	30 June 2022 Closing carrying amount R'000
Associated Fund Administrators Botswana Proprietary Limited	30 September	3 408 218	Associate	40%	31 486	6 688	(5 191)	32 983
Warona Health Services Proprietary Limited	30 June	49	Joint Venture	49%	55	302	–	357
Total					31 541	6 990	(5 191)	33 340

Summarised financial information of Associated Fund Administrators Botswana Proprietary Limited

	Group	
	June 2023 R'000	June 2022 R'000
At 30 June 2023		
Non-current assets (excluding intangible assets)	9 703	6 162
Intangible assets	38	180
Current assets	92 560	60 091
Total assets	102 301	66 433
Non-current liabilities	6 077	3 599
Current liabilities	33 879	18 770
Total liabilities	39 956	22 369
Net assets	62 345	44 064
Revenue	122 868	99 997
Profit or loss from continuing operations	30 215	16 722
Total comprehensive income attributable to ordinary shareholders	30 215	16 722
Net profit for the year	30 215	16 722

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES CONTINUED

Summarised financial information of Private Health Administrators Proprietary Limited

	Group	
	June 2023 R'000	June 2022 R'000
At 30 June 2023		
Non-current assets (excluding intangible assets)	6 926	–
Intangible assets	–	–
Current assets	63 334	–
Total assets	70 260	–
Non-current liabilities	4 051	–
Current liabilities	55 764	–
Total liabilities	59 815	–
Net assets	10 445	–
Revenue	287 063	–
Profit or loss from continuing operations	4 544	–
Total comprehensive income attributable to ordinary shareholders	4 544	–
Net profit for the year	4 544	–

Summarised financial information of Warona Health Services Proprietary Limited

	Group	
	June 2023 R'000	June 2022 R'000
At 30 June 2023		
Non-current assets	182	209
Current assets	15 931	8 966
Total assets	16 113	9 175
Non-current liabilities	–	–
Current liabilities	13 729	8 390
Total liabilities	13 729	8 390
Net assets	2 384	785
Revenue	51 338	38 205
Net profit for the year	1 599	616

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

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11. INVESTMENTS IN SUBSIDIARIES

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Unlisted investments at cost	–	–	1 847 163	428 144

Name of subsidiary	Main business	Country of incorporation	Interest held (voting rights) %	Non-controlling interest (voting rights) %
2023				
Directly held				
ACT Healthcare Assets Proprietary Limited	Investment holding	South Africa	100	–
ACT Funding Proprietary Limited	Dormant	South Africa	100	–
2022				
Directly held				
ACT Healthcare Assets Proprietary Limited	Investment holding	South Africa	71.3	28.7
ACT Funding Proprietary Limited	Dormant	South Africa	100	–

Effective 29 May 2023, the Company acquired the remaining 28.7% of ACT Healthcare Assets Proprietary Limited by way of an asset for share transaction with Sanlam Group. Refer to Note 18 for further details.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

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12. DEFERRED TAX

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Deferred tax assets	82 881	77 072	–	–
Deferred tax liabilities	(223 131)	(242 367)	–	–
Net Group Deferred tax (liabilities)/assets	(140 250)	(165 295)	–	–

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

Group	Capital allowances R'000	Provisions R'000	Prepay-ments R'000	Assessed loss* R'000	Business combina-tions R'000	Other** R'000	Total R'000
Deferred tax assets							
Opening balance at 1 July 2022	–	63 688	–	14 313	–	31 924	109 925
Charged to profit or loss	–	(3 196)	–	9 090	–	41 281	47 175
Disposal of subsidiary	–	(408)	–	–	–	(2 047)	(2 455)
Closing balance at 30 June 2023	–	60 084	–	23 403	–	71 158	154 645
Deferred tax liabilities							
Opening balance at 1 July 2022	(135 141)	–	(3 033)	–	(122 323)	(14 723)	(275 220)
Charged to profit or loss	5 844	–	119	–	13 394	(40 740)	(21 383)
Disposal of subsidiary	–	–	6	–	–	1 702	1 708
Closing balance at 30 June 2023	(129 297)	–	(2 908)	–	(108 929)	(53 761)	(294 895)
Net deferred tax liabilities	(129 297)	60 084	(2 908)	23 403	(108 929)	17 397	(140 250)
Deferred tax assets							
Opening balance at 1 July 2021	–	63 277	–	10 700	–	72 818	146 795
Charged to profit or loss	–	411	–	(3 026)	–	(40 894)	(43 509)
Acquisition of subsidiary	–	–	–	6 639	–	–	6 639
Closing balance at 30 June 2022	–	63 688	–	14 313	–	31 924	109 925
Deferred tax liabilities							
Opening balance at 1 July 2021	(145 140)	–	(3 858)	–	(102 658)	(55 716)	(307 372)
Credited to profit or loss	9 999	–	825	–	24 625	40 993	76 442
Acquisition of subsidiary	–	–	–	–	(44 290)	–	(44 290)
Closing balance at 30 June 2022	(135 141)	–	(3 033)	–	(122 323)	(14 723)	(275 220)
Net deferred tax liabilities	(135 141)	63 688	(3 033)	14 313	(122 323)	17 201	(165 295)

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

The Group has assessed losses of R1.38 million (2022: R2.35 million) that has not been recognised as a deferred tax asset.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

13. INVENTORY

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Finished goods*	303 998	306 731	–	–
Merchandise - pharmaceutical**	146 420	125 033	–	–
Merchandise provision	(5 856)	–	–	–
Inventory on hand at year-end	444 562	431 764	–	–

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

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

14. OTHER FINANCIAL ASSETS

Other financial assets comprise the following balances:

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Investments in Venture Capital Funds	8 394	8 394	–	–
Investments in Cell Captive	69 596	56 619	–	–
Mauritius Government Bonds	29 758	10 723	–	–
Foreign currency Forward Contract	1 530	–	–	–
Other equity investments	243	–	–	–
Total	109 521	75 736	–	–

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

The total shareholding percentage is less than 20% and as such, no significant influence is exercised over the venture capital fund. These equity investments are measured and fair value through profit or loss.

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

These investments do not meet the criteria of a significant insurance risk as defined in IFRS 4, and as such are classified as financial assets and are measured at fair value through profit and loss as it does not consist of solely payments of principal and interest.

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

The Expected Credit Loss allowance is deemed immaterial as government bonds are risk free.

Fair value hierarchy

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

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

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices); and

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.

14. OTHER FINANCIAL ASSETS CONTINUED

Specific valuation techniques used to value financial instruments include:

» the fair value of the debt instruments measured at fair value through profit and loss are determined based on a valuation of the net asset value attributable to the investment;
» the fair value of the remaining financial instruments is determined using discounted cash flow analysis and price earnings (**PE**) ratios; and
» the fair value of the Foreign currency forward contract asset is determined with reference to the change in exchange rate between the rate agreed in the contract and the spot rate at the end of the reporting period.

The carrying amount of all assets in the table below approximates the fair value of the assets.

Group fair value measurements using quoted prices (level 1):

	Level 1 R'000
Year ended 30 June 2023 - Group	
Foreign currency Forward Contract	**1 530**
Year ended 30 June 2022 - Group	
Foreign currency Forward Contract	–

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

	Level 3 R'000
Year ended 30 June 2023 - Group	
Unlisted investment	**78 233**
Year ended 30 June 2022 - Group	
Unlisted investment	65 013

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for the year ended 30 June 2023

14. OTHER FINANCIAL ASSETS CONTINUED

The table below presents the movements for the year:

	Financial assets at amortised cost – Group	Financial assets at fair value through profit and loss – Group					Financial assets at fair value through other comprehensive income - Group
	Mauritius government bonds R'000	Investments in Venture Capital Funds R'000	Investments in Cell Captive R'000	Short-term loan R'000	Other equity investments** R'000	Fair value through profit and loss Total R'000	Foreign currency Forward Contract R'000
Balance at 1 July 2021	–	8 394	21 267	149 244	–	178 905	–
Additions	10 577	–	29 605	–	–	29 605	–
Disposals*	–	–	–	(150 000)	–	(150 000)	–
Fair value gains	146	–	5 747	756	–	6 503	–
Balance at 30 June 2022	10 723	8 394	56 619	–	–	65 013	–
Additions	**18 346**	**–**	**401**	**–**	**–**	**401**	**1 530**
Fair value gains	**–**	**–**	**12 576**	**–**	**243**	**12 819**	**–**
Finance income	**689**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 30 June 2023	**29 758**	**8 394**	**69 596**	**–**	**243**	**78 233**	**1 530**

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

** *Additions to Other equity investments were below R1 000 and therefore displays as zero.*

Valuation inputs and relationships to fair value

Investments in Cell Captives

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

Investments in Venture Capital Funds

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

Foreign currency Forward Contract

The foreign currency forward contract asset is measured at fair value, being the difference between the firm commitment measured at the exchange rate agreed in the forward contract and the firm commitment measured at the spot rate as at year-end.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

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14. OTHER FINANCIAL ASSETS CONTINUED

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

Description	Fair value at 30 June 2023 R'000	Fair value at 30 June 2022 R'000	Unobservable Inputs	Input value used 2023	Input value used 2022	Sensitivity of unobservable inputs on profit or loss
Investments in Cell Captive	**69 596**	56 619	Net asset value attributable to the investment	**69 596 000**	56 619 000	As the input is based on the net asset value of the cell captive (which is representative of fair value), no sensitivity analysis is deemed necessary.
Investment in Venture Capital Funds	**8 394**	8 394	Cost of Investment	**8 394 000**	8 394 000	As the input is based on the cost of the investment, no sensitivity analysis is deemed necessary.

Valuation process

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

15. DISCONTINUED OPERATIONS

During the current financial period, the group disposed of 74% of its investment in the following subsidiary:

Subsidiary	**Effective date of sale**
» Private Health Administrators Proprietary Limited	1-Jul-22

Financial information relating to the impact of discontinued operations on the statement of comprehensive income and statement of cash flows for the prior period to the date of disposal are set out below.

Refer to Note 4 for the details of the disposal.

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

	2023 R'000	2022 R'000
Revenue	–	29 353
Gross profit	–	29 353
Finance Income	–	90
Depreciation	–	(161)
Right of use asset depreciation	–	(1 681)
Interest on lease liability	–	(573)
Lease reversal	–	1 681
Other expenses	–	(33 156)
Loss before tax	–	(4 447)
Income tax	–	(2 490)
Loss for the year	–	(6 937)

15.2 Cash flows from discontinued operations

	2023 R'000	2022 R'000
Net cash flows generated from operating activities	–	10 760
Net cash flows generated from investing activities	–	270
Net cash flows utilised in financing activities	–	(8 174)
Net cash flows from discontinued operations	–	2 856

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

16. ISSUED CAPITAL

16.1 Issued share capital

	Group		Company	
	30 June 2023 R'000	30 June 2022 R'000	30 June 2023 R'000	30 June 2022 R'000
Authorised:				
1 billion ordinary shares at no par value	10 000	10 000	10 000	10 000
60 million redeemable preference shares of 1 cent each	600	600	600	600
Issued:				
825 052 711 ordinary shares of 1 cent each**	21 294	18 909	21 294	18 909
- Opening balance	18 909	18 892	18 909	18 892
- Issue of share capital*	2 385	17	2 385	17
Share premium (Note 16.2)	2 525 687	1 094 876	2 525 687	1 094 876
Closing balance	2 546 981	1 113 785	2 546 981	1 113 785

* *During the current financial year, the last portion of the first tranche, second portion of the second tranche, as well as the first portion of the third tranche of the share-based awards vested. Refer to Note 30 for further details. As part of Sanlam Group's acquisition of 60% of the issued share capital of the Group, the company issued 236 503 129 shares as part of the asset for share transaction.*

** *The number of shares issued includes 9 735 000 treasury shares issued in terms of the FSP share scheme.*

The directors are authorised, by resolution of the shareholders and until the forthcoming AGM, to issue the unissued shares in accordance with the limitation set by members. All issued shares have been fully paid.

Major shareholders holding more than 5% of the issued share capital	Number of shares	% of total shares
2023		
Sanlam Group	494 454 340	59.93
Community Healthcare Holdings Proprietary Limited	74 098 672	8.98
African Rainbow Capital	62 433 537	7.57
Total	630 986 549	76.48

16.2 Share premium

	Group		Company	
	30 June 2023 R'000	30 June 2022 R'000	30 June 2023 R'000	30 June 2022 R'000
Opening balance	1 094 876	1 084 696	1 094 876	1 084 696
Issue of equity - share-based payment awards exercised	14 157	10 180	14 157	10 180
Increase through additional issue of shares*	1 416 654	–	1 416 654	–
Closing balance	2 525 687	1 094 876	2 525 687	1 094 876

* *This relates to the shares issued to Sanlam Group. Refer to Note 18 for further details.*

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

17. OTHER RESERVES

	Group				
	Share-based payment reserve R'000	Foreign currency translation reserve R'000	Treasury shares R'000	Cash flow hedge reserve* R'000	Total reserves R'000
Balance as at 30 June 2021	26 802	(6 139)	(2 324)	–	18 339
Share-based payment expense	13 860	–	–	–	13 860
Share-based payment awards exercised	(10 197)	–	–	–	(10 197)
Other comprehensive income	–	1 083	–	–	1 083
Balance as at 30 June 2022	30 465	(5 056)	(2 324)	–	23 085
Share-based payment expense	**17 837**	**–**	**–**	**–**	**17 837**
Share-based payment awards exercised	**(14 187)**	**–**	**–**	**–**	**(14 187)**
Other comprehensive income	**–**	**7 257**	**–**	**1 530**	**8 787**
Increase through treasury share transactions	**–**	**–**	**1 162**	**–**	**1 162**
Balance as at 30 June 2023	**34 115**	**2 201**	**(1 162)**	**1 530**	**36 684**

* *The cash flow hedge reserve represents the impact of the foreign currency gain on the forward exchange contract entered into by the Group in anticipation of settling a foreign supplier to mitigate the risk of the Rand weakening against the US Dollar.*

	Company
	Share-based payment reserve R'000
Balance as at 30 June 2021	26 802
Share-based payment expense	13 860
Share-based payment awards exercised	(10 197)
Balance as at 30 June 2022	30 465
Share-based payment expense	**17 837**
Share-based payment awards exercised	**(14 187)**
Balance as at 30 June 2023	**34 115**

18. NON-CONTROLLING INTEREST

	Group	
	30 June 2023 R'000	Restated* 30 June 2022 R'000
Balance at the beginning of the year	**987 772**	920 511
Dividend distributions (Note 29)	**(65 593)**	(98 780)
Non controlling interest on change in ownership without change in control	**(978 240)**	(381)
Share of net profit of subsidiaries	**112 011**	165 986
Share of other comprehensive income of subsidiaries	**–**	436
Closing balance	**55 950**	987 772

* *Refer to Note 38.1 for the details of the restatement.*

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

18. NON-CONTROLLING INTEREST CONTINUED

Pursuant to the Company acquiring the 28.7% shares from Sanlam Group as part of the asset for share transaction, ACT Healthcare Assets Proprietary Limited is no longer a subsidiary with non-controlling interest that is material to the Group, as it is now 100% held.

The summarised financial information for ACT Healthcare Assets Proprietary Limited for the prior year has been set out below. The amounts disclosed are before inter-company eliminations.

	Group	
	30 June 2023 R'000	30 June 2022 R'000
Summarised statement of financial position of ACT Healthcare Assets Proprietary Limited		
Current assets	–	1 291 725
Current liabilities	–	(966 548)
Current net assets	–	325 177
Non-current assets	–	4 107 661
Non-current liabilities	–	(962 760)
Non-current net assets	–	3 144 901
Net assets		
ACT Healthcare Assets Proprietary Limited contribution towards Group accumulated non-controlling interest	–	987 772
Summarised statement of comprehensive income		
Revenue	–	9 136 604
Profit for the period	–	452 938
Other comprehensive income	–	–
Total comprehensive income	–	452 938
ACT Healthcare Assets Proprietary Limited contribution towards Group total comprehensive income allocated to non-controlling interest	–	166 422
ACT Healthcare Assets Proprietary Limited contribution towards Group dividends paid to non-controlling interest	–	98 780
Summarised cash flows		
Cash flows generated from operating activities	–	507 659
Cash flows utilised in investing activities	–	(373 407)
Cash flows utilised in financing activities	–	(195 339)
Net decrease in cash and cash equivalents	–	(61 087)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

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18. NON-CONTROLLING INTEREST CONTINUED

Transactions with non-controlling interests

Effective 01 July 2022 the Group acquired the remaining 49% ordinary shares in Afrocentric Distribution Services Proprietary Limited for a total consideration of R82.9 million including a dividend of R7.9 million. On transaction date, the Group derecognised non-controlling interests of R11.8 million relating to this transaction.

Effective 01 November 2022 the Group acquired the remaining 49% ordinary shares in Memo Digital Proprietary Limited for a total consideration of R2.06 million. On transaction date, the Group derecognised non-controlling interests of R956 thousand relating to this transaction.

Effective 01 May 2023 the Group acquired the remaining 30% shareholding in MMed Distribution Proprietary Limited for a consideration of R1. On transaction date the Group derecognised non-controlling interest of R16.7 million.

Effective 29 May 2023, Sanlam Group acquired 60% of the issued share capital of the Company by way of a combination of a partial offer to existing shareholders and an asset-for-share transaction whereby the Company acquired the remaining 28.7% of the issued shares of ACT Healthcare Assets Proprietary Limited in exchange for 236 503 129 AfroCentric shares.

These transactions 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:

	Memo Digital R'000	Sanlam Group R'000	Afrocentric Distribution Services R'000	MMed Distribution R'000	Total R'000
30 June 2023					
Retained earnings	(1 111)	(436 903)	(71 043)	(16 703)	(525 760)
Non-controlling interest	(956)	(982 116)	(11 871)	16 703	(978 240)
Total equity	(2 067)	(1 419 019)	(82 914)	–	(1 504 000)

	Tendahealth R'000	Total R'000
30 June 2022		
Retained earnings	(12 642)	(12 642)
Non-controlling interest	(381)	(381)
Total equity	(13 023)	(13 023)

19. LEASES

Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Non-current assets				
Right of use assets	**191 065**	147 964	**–**	–
Non-current liabilities				
Lease liabilities	**176 683**	127 790	**–**	–
Current liabilities				
Lease liabilities	**67 644**	68 610	**–**	–
Amounts recognised in statement of profit or loss				
Depreciation	**65 380**	61 606	**–**	–
Interest expense	**16 964**	18 781	**–**	–
Expense relating to short-term leases	**1 648**	1 146	**–**	–

The total cash outflow for leases in 2023 was R82.6 million (2022: R91.3 million).

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

20. EMPLOYMENT BENEFIT LIABILITIES

	Group		
	Leave pay R'000	Bonuses R'000	Total R'000
Balance as at 30 June 2021	49 128	81 488	130 616
Acquisitions through business combinations	210	–	210
Charged to the statement of comprehensive income:			
- additional provisions	10 975	88 428	99 403
Utilised during the year	(11 652)	(75 455)	(87 107)
Balance as at 30 June 2022	48 661	94 461	143 122
Charged/(credited) to the statement of comprehensive income:			
- additional provisions	**9 911**	**52 022**	**61 933**
- amounts reversed	**(787)**	**(998)**	**(1 785)**
Utilised during the year	**(6 742)**	**(90 252)**	**(96 994)**
Balance as at 30 June 2023	**51 043**	**55 233**	**106 276**

The leave pay and bonus provisions are primarily in respect of leave pay and bonuses to be settled in the next financial year.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

21. REVENUE

21.1 Revenue from contracts with customers

	Group 2023 R'000	Group 2022 R'000
Revenue from sale of goods	2 773 070	2 648 461
Revenue from services	6 094 962	6 044 756
Administration fees	1 778 608	1 716 555
Health risk management fees - Medical aid schemes	1 604 445	1 543 012
Health risk management fees - Capitation funds	1 856 374	1 945 074
Management fees	14 664	1 134
IT revenue and other	648 293	623 545
Marketing fees	144 255	172 926
Healthcare insurance	48 323	42 510
Total revenue from contracts with customers	8 868 032	8 693 217

21.2 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 with the Group/company's reportable segments (see Note 5).

Group	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 2023 disaggregated by type of goods or services - Group									
Primary geographical markets									
South Africa	1 580 740	1 586 834	12 884	48 323	630 716	2 773 070	1 856 374	144 255	8 633 196
Outside of South Africa	197 868	17 611	1 780	–	17 577	–	–	–	234 836
	1 778 608	1 604 445	14 664	48 323	648 293	2 773 070	1 856 374	144 255	8 868 032
Major product/ service line									
Admin health	1 778 608	–	–	–	648 293	–	–	144 255	2 571 156
Retail (Pharma)	–	–	–	–	–	2 773 070	–	–	2 773 070
Managed healthcare	–	1 604 445	14 664	48 323	–	–	1 856 374	–	3 523 806
	1 778 608	1 604 445	14 664	48 323	648 293	2 773 070	1 856 374	144 255	8 868 032
Timing of revenue recognition									
Products transferred at a point in time	–	–	–	–	–	2 773 070	–	–	2 773 070
Products and services transferred over time	1 778 608	1 604 445	14 664	48 323	648 293	–	1 856 374	144 255	6 094 962
	1 778 608	1 604 445	14 664	48 323	648 293	2 773 070	1 856 374	144 255	8 868 032

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

21. REVENUE CONTINUED

21.2 Disaggregation of revenue from contracts with customers *continued*

	Group								
	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 2022 disaggregated by type of goods or services - Group									
Primary geographical markets									
South Africa	1 544 191	1 526 015	(519)	42 510	604 434	2 648 461	1 945 074	172 926	8 483 092
Outside of South Africa	172 364	16 997	1 653	–	19 111	–	–	–	210 125
	1 716 555	1 543 012	1 134	42 510	623 545	2 648 461	1 945 074	172 926	8 693 217
Major product/ service line									
Admin health	1 716 555	–	–	–	623 545	–	–	172 926	2 513 026
Retail (Pharma)	–	–	–	–	–	2 648 461	–	–	2 648 461
Managed healthcare	–	1 543 012	1 134	42 510	–	–	1 945 074	–	3 531 730
	1 716 555	1 543 012	1 134	42 510	623 545	2 648 461	1 945 074	172 926	8 693 217
Timing of revenue recognition									
Products transferred at a point in time	–	–	–	–	–	2 648 461	–	–	2 648 461
Products and services transferred over time	1 716 555	1 543 012	1 134	42 510	623 545	–	1 945 074	172 926	6 044 756
	1 716 555	1 543 012	1 134	42 510	623 545	2 648 461	1 945 074	172 926	8 693 217

21.3 Contract balances

The following table provides information about receivables from contracts with customers.

	Group		Company	
Current contract receivables	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Trade receivables	626 078	576 736	17 262	–
Trade receivables impairment	(40 357)	(8 897)	–	–
	585 721	567 839	17 262	–

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

22. COST OF PHARMACEUTICAL PRODUCTS AND FINISHED GOODS

	Group		Company	
	2023 R'000	Restated* 2022 R'000	2023 R'000	2022 R'000
Opening inventory	431 764	421 563	–	–
Purchases	2 117 585	2 035 877	–	–
Inventory write off	20 287	–	–	–
Closing inventory	(444 562)	(431 764)	–	–
Cost of pharmaceutical products and finished goods	2 125 074	2 025 676	–	–
Cost of distribution of pharmaceutical products	78 376	98 694	–	–
Total cost relating to pharmaceutical products	2 203 450	2 124 370	–	–

* *Refer to Note 38.1 for details of the restatement.*

23. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following items:

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Auditors' remuneration (included in "other expenses")	18 467	20 122	2 613	2 927
Audit fees	17 637	18 304	2 359	2 219
Prior period under provision	830	1 818	254	708
Depreciation of property and equipment	82 976	87 138	–	–
Motor vehicles	3 556	5 397	–	–
Computer equipment	48 218	45 771	–	–
Buildings	4 841	6 886	–	–
Furniture and fittings	14 981	16 601	–	–
Equipment	9 723	12 352	–	–
Leasehold improvements	1 657	131	–	–
Amortisation of development costs and other intangible assets	208 823	231 269	–	–
Right of use asset depreciation	65 380	61 606	–	–
Share-based payment expense	17 837	13 848	695	960
Bad debt write-off	16 332	6 515	–	–
Expected credit loss allowance	41 102	(5 646)	–	–
Rent and property costs	87 479	83 248	–	–
Buildings*	85 831	82 198	–	–
Motor vehicles*	–	19	–	–
Office equipment and furniture*	1 648	1 031	–	–
Repairs and maintenance (included in rent and property costs)	21 623	11 889	–	–
Rent and property costs total	109 102	95 137	–	–

* *Included in the rent and property cost is short-term leases of 2023: R1 648 000 (2022: R1 050 000) relating to Motor vehicles 2023: R0 (2022: R19 000) and Office equipment and furniture 2023: R1 648 000 (2022: R1 031 000).*

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23. PROFIT BEFORE TAXATION CONTINUED

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Directors' emoluments and fees				
(included in employee benefit costs)				
Executive				
A Banderker	19 288	8 238	–	–
- Cash package paid during the year	5 427	5 221	–	–
- Performance related payments/bonuses	5 622	1 780	–	–
- Retention bonus**	6 154	–	–	–
- Profit on vesting of share-based payments	1 733	900	–	–
- Company contributions paid during the year[1]	352	336	–	–
JW Boonzaaier	7 023	5 746	–	–
- Cash package paid during the year	3 689	3 535	–	–
- Performance related payments/bonuses	–	1 208	–	–
- Retention bonus**	1 482	–	–	–
- Other allowance	66	66	–	–
- Profit on vesting of share-based payments	1 560	720	–	–
- Company contributions paid during the year[1]	226	217	–	–
SE Mmakau	–	2 545	–	–
- Basic salary	–	2 075	–	–
- Other allowance	–	67	–	–
- Performance related payments/bonuses	–	–	–	–
- Profit on vesting of share-based payments	–	270	–	–
- Company contributions paid during the year[1]	–	134	–	–
WH Britz	–	3 481	–	–
- Cash package paid during the year	–	3 310	–	–
- Performance related payments/bonuses	–	–	–	–
- Company contributions paid during the year[1]	–	171	–	–
Non-executive				
For services as directors*	8 076	7 288	8 076	7 288
ATM Mokgokong	1 803	1 681	1 803	1 681
MJ Madungandaba	2 045	1 901	2 045	1 901
FG Allen	592	776	592	776
M Chauke	681	472	681	472
MK Dippenaar	–	–	–	–
JB Fernandes	1 166	806	1 166	806
PB Hanratty	30	–	30	–
AM le Roux	768	543	768	543
K Mkhize	422	25	422	25
Dr ND Munisi	569	498	569	498
JJ Strydom	–	310	–	310
SA Zinn	–	276	–	276

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

** *Retention bonus payments were made in the first half of the current financial year for a retention period to November 2024, aimed at retention of key skills and continuity after the Sanlam transaction. The values disclosed represent the portion of the retention bonus that was expensed through the statement of comprehensive income in the current financial period. The full retention bonuses paid were R14.63 million to A Banderker and R5.08 million to JW Boonzaaier. The remaining balance not yet expensed is included in trade and other receivables as a prepayment.*

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

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23. PROFIT BEFORE TAXATION CONTINUED

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Employee benefit costs	2 445 087	2 340 458	2 648	4 714
Salaries and wages	2 116 301	1 981 535	2 648	4 690
Termination benefits	3 736	6 139	–	–
Incentive, production and performance bonus	96 655	135 749	–	–
Staff welfare	52 533	57 283	–	24
Movement in post-employment medical obligation	141	24	–	–
Other employee benefit cost	175 721	159 728	–	–

Average number of persons employed by the Group during the period:

	Group 2023	Group 2022	Company 2023	Company 2022
South Africa	5 503	5 447	–	–
Full time	4 748	4 652	–	–
Part time	755	795	–	–
Outside of South Africa	364	365	–	–
Full time	295	305	–	–
Part time	69	60	–	–

	Group 2023	Group 2022	Company 2023	Company 2022
Dividends received	(105)	–	(107 078)	(205 515)
Loss on disposal of property and equipment	3 338	4 564	–	–
Write-off of intangible assets	5 415	635	–	–
Fair value gains	(16 245)	(6 369)	–	–
Fair value gains on Cell Captive investments	(12 576)	(5 746)	–	–
Fair value gains on short-term loan receivable	–	(756)	–	–
Fair value losses on investment property	1 750	134	–	–
Other fair value gains	(5 419)	(1)	–	–
Impairments	27 115	3 203	–	–
Impairment of property and equipment	25 000	–	–	–
Impairment of loans	2 115	3 203	–	–
IT Costs**	255 701	145 734	–	–
Other expenses* **				
Included in other expenses are the following:				
Donations	641	4 687	–	–
Consulting fees	685 812	632 637	18 931	1 028
Legal fees	31 143	16 340	–	–
Operating expenditure*	311 310	235 476	12 485	12 238
Marketing and recruitment	88 904	88 197	2 927	3 550
VAT expenses	21 207	10 860	–	–

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

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

*** *The disclosure for Other expenses relates to the expenses deemed significant and does not include all items of Other expenses.*

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

24. NET FINANCE COSTS

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Finance income	**(21 745)**	(14 996)	**(275)**	(138)
Cash and cash equivalents	**(10 941)**	(9 568)	**(275)**	(138)
Other*	**(10 804)**	(5 428)	**–**	–
Finance costs	**77 229**	57 049	**2 113**	2 470
Other**	**13 102**	10 717	**–**	–
Inter-company loans	**–**	–	**2 113**	2 470
Borrowings	**64 127**	46 332	**–**	–
Net finance costs	**55 484**	42 053	**1 838**	2 332

* *Finance income other relates to SARS interest and interest charged in relation to external loans granted.*

** *Finance cost other relates to CMS interest and SARS interest.*

25. INCOME TAX EXPENSE/(CREDIT) - CONTINUING OPERATIONS

25.1 Current taxation

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Current taxation	**157 071**	224 231	**54**	(23)
Current year	**158 317**	220 594	**61**	7
Prior year	**(2 884)**	3 637	**(7)**	(30)
Foreign withholding tax - current	**1 638**	–	**–**	–
Deferred taxation	**(25 417)**	(33 268)	**–**	–
Current year	**(22 833)**	(31 604)	**–**	–
Prior year	**(2 622)**	(1 670)	**–**	–
Income tax on remeasurement of post-employment benefit obligations	**38**	6	**–**	–
	131 654	190 963	**54**	(23)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

25. INCOME TAX EXPENSE/(CREDIT) - CONTINUING OPERATIONS CONTINUED

25.2 Reconciliation of the tax rate

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
South African normal tax rate	27.00%	28.00%	27.00%	28.00%
Adjusted for:				
Disallowable expenses	7.14%	2.45%	15.31%	3.86%
Donations not subject to Section 18A	0.01%	0.01%	–	–
Share transaction cost	0.06%	0.01%	0.34%	0.10%
Dual nature expenses	1.32%	1.32%	7.41%	–
Non-allowable legal fees	0.11%	0.06%	–	–
Non-allowable consulting fees	1.36%	0.08%	7.29%	–
Foreign exchange loss	–	0.02%	–	–
Loss on sale of assets	0.09%	0.01%	–	–
Impairment of loans	1.61%	0.29%	–	–
Write-off of intangible assets	0.34%	–	–	–
Impairment of property and equipment	1.58%	–	–	–
Actuarial Gain	(0.48%)	–	–	–
Depreciation on buildings	0.05%	0.03%	–	–
Share based payments	0.06%	–	0.27%	–
Penalties and interest	0.02%	0.42%	–	–
Non trading expenses	0.82%	0.20%	–	3.76%
Recoupment of allowance - de-grouping	0.19%	–	–	–
Non-taxable income	(1.60%)	(0.58%)	(0.99%)	–
Share of profits from associates and joint ventures	(0.89%)	(0.29%)	–	–
Fair value gain on investments	(0.47%)	(0.22%)	–	–
Financial Guarantee	(0.07%)	–	–	–
Employment Tax Incentive	(0.01%)	(0.07%)	–	–
Other non-taxable income	(0.16%)	–	(0.99%)	–
Exempt income	(0.01%)	–	(41.23%)	(31.85%)
Dividends received	(0.01%)	–	(41.23%)	(31.85%)
Other deductible expenses	(1.01%)	(0.42%)	–	–
Learnership allowance	(1.01%)	(0.42%)	–	–
Rate differences	(0.50%)	(0.48%)	–	–
Statutory tax rate change	–	(0.99%)	–	–
Prior year adjustment				
- current tax	(0.68%)	0.56%	(0.01%)	(0.02%)
- deferred tax	(0.61%)	(0.07%)	–	–
Capital gain/loss	0.19%		–	–
Withholding tax	0.38%	0.14%	–	–
Unrecognised assessed loss	0.56%	0.04%	–	–
Effective tax rate	30.86%	28.65%	0.08%	(0.01%)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

26. EARNINGS PER SHARE

The calculation of basic earnings per share for the Group is based on profit and loss attributable to the parent for the year of R182.7 million (June 2022: net profit of R312.8 million), and a weighted average number of shares of 597.8 million (June 2022: 575.9 million) shares in issue. The calculation of headline earnings per share for the Group is calculated on adjusted headline earnings of R216.4 million (June 2022: R315.7 million), and a weighted average number of shares of 597.8 million (June 2022: 575.9 million) shares in issue.

	Group	
	2023 R'000	Restated** 2022 R'000
Reconciliation of headline earnings per share		
Total profit and loss attributable to the parent	182 673	319 741
From discontinued operation	–	(6 937)
Basic Earnings	182 673	312 804
Adjusted for:		
Impairment of property and equipment	25 000	–
Loss on disposal of tangible assets	3 338	4 550
Write-off of intangible assets	5 415	635
Loss on disposal of investments	198	–
Fair value losses on investment property	1 750	134
Total non-controlling interest effect of adjustments	(592)	(1 152)
Total tax effects of adjustments	(1 374)	(1 304)
Headline earnings	216 408	315 667
Earnings per share (cents)		
Basic from continued operations	30.56	55.52
Basic from discontinued operations	–	(1.20)
Basic	30.56	54.32
Diluted from continued operations	29.43	53.67
Diluted from discontinued operations***	–	(1.16)
Diluted	29.43	52.51
Headline earnings per share (cents)		
Basic	36.20	54.81
Diluted	34.87	52.99
Weighted average number of ordinary shares used in the calculation of headline earnings per share	597 825 403	575 878 754
– dilutionary impact of contingent shares*	22 808 329	19 850 000
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	620 633 732	595 728 754

* *The contingent shares relate to share-based payment awards. Refer to Note 30 for details.*

** *Refer to Note 38.1 for details of the restatement.*

*** *Options are dilutive at the level of profit from continuing operations and so, in accordance with IAS 33, have been treated as dilutive for the purpose of diluted earnings per share. The diluted loss per share is lower than basic loss per share because of the effect of losses on discontinued operations.*

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

27. CASH FLOWS FROM OPERATING ACTIVITIES

	Group		Company	
	2023 R'000	Restated* 2022 R'000	2023 R'000	2022 R'000
Profit before tax from operating activities	**426 536**	676 690	**70 123**	180 693
Loss before tax from discontinued operations	**–**	(4 447)	**–**	–
Profit before tax	**426 536**	672 243	**70 123**	180 693
Adjustments for:				
Dividends received	**(105)**	–	**(107 078)**	(205 515)
Profit on sale of investment	**–**	(563)	**–**	–
Right of use assets depreciation	**65 380**	63 287	**–**	–
Interest on lease	**16 964**	19 354	**–**	–
Finance income	**(21 745)**	(15 086)	**(275)**	(138)
Finance costs	**77 229**	57 049	**2 113**	2 470
Bad debts written off	**16 332**	6 554	**–**	–
Increase/(decrease) in expected credit loss allowance	**41 102**	(5 646)	**–**	–
Depreciation	**82 976**	87 299	**–**	–
Fair value losses	**(16 245)**	(6 369)	**–**	–
Amortisation of intangible assets	**208 823**	231 269	**–**	–
Impairment of property and equipment	**25 000**	–	**–**	–
Liabilities for shareholders for dividends written off	**(3 321)**	–	**(3 321)**	–
Increase/(decrease) in inventory provision	**20 287**	(1 427)	**–**	–
Impairment provision on investments and loans	**2 115**	3 203	**–**	–
Loss on disposal of tangible assets	**3 338**	4 550	**–**	–
Write-off of intangible assets	**5 415**	635	**–**	–
Share-based payment expense	**17 837**	13 848	**17 837**	13 848
Share of profit from associates	**(14 051)**	(6 991)	**–**	–
Finance cost - Contingent consideration	**9 501**	7 782	**–**	–
Finance cost - Deferred payment	**861**	1 932	**–**	–
Other adjustments for non-cash items	**(730)**	88	**(108)**	12
Cash flow before working capital changes	**963 499**	1 133 011	**(20 709)**	(8 630)
Working capital changes				
Inventory	**(33 085)**	(8 774)	**–**	–
Trade and other receivables	**(76 756)**	(213 251)	**(17 327)**	(161)
Trade and other payables	**(16 577)**	178 358	**1 819**	2 677
Provisions	**(36 846)**	12 506	**–**	–
Cash generated from/(utilised in) operations	**800 235**	1 101 850	**(36 217)**	(6 114)

* *Refer to Note 38.1 for the details of the restatement.*

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

28. INCOME TAX PAID

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Balance at the beginning of the year asset	**8 074**	8 752	**59**	1 075
Balance at the end of the year asset	**(34 609)**	(8 074)	**(18)**	(59)
Charge to the statement of comprehensive income	**(131 654)**	(190 963)	**(54)**	23
Less deferred tax included in taxation expense	**(25 417)**	(33 268)	**–**	–
Disposal of subsidiary	**1 236**	–	**–**	–
Taxation credit related to discontinued operations	**–**	(2 490)	**–**	–
Deferred tax included in discontinued operations	**–**	1 254	**–**	–
Total income tax paid	**(182 370)**	(224 789)	**(13)**	1 039

29. DIVIDENDS

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Dividend declared by AfroCentric Investment Corporation Limited in September 2022	**98 235**	97 426	**98 398**	97 426
Dividend declared by AfroCentric Investment Corporation Limited in March 2023	**–**	97 711	**–**	98 372
	98 235	195 137	**98 398**	195 798
Dividends declared and paid to Non-controlling interests	**65 593**	98 780	**–**	–
Dividend declared and paid by Medscheme (Namibia) Proprietary Limited	**11 700**	6 240	**–**	–
Dividend declared and paid by Allegra Proprietary Limited	**–**	3 920	**–**	–
Dividend declared and paid by ACT Healthcare Assets Proprietary Limited	**43 101**	82 725	**–**	–
Dividend declared and paid by Essential Group Proprietary Limited	**10 792**	5 895	**–**	–
Total dividends declared	**163 828**	293 917	**98 398**	195 798

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

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30. SHARE-BASED PAYMENTS

Long Term Incentive Plan

In the 2018 financial year a 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 individual companies within the Group, on a basis which aligns their interests with those of the Group's shareholders.

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

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

AfroCentric expects that 90% of awards will vest to participants at the end of the plan based on normal staff turnover. 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 R14.3 million (2022: R13.9 million).

	Group					
	30 June 2023					
Offer date	Issue share price R	Balance at 30 June 2022 '000	Offered '000	Forfeited/ Vested '000	Balance as at 30 June 2023 '000	Fair Value as at 30 June 2023 R'000
8 December 2017	6.20	2 030	–	(2 030)	–	–
1 November 2018	5.50	2 990	–	(2 137)	853	3 540
30 November 2019	3.30	4 370	–	(1 650)	2 720	11 288
7 December 2020	3.50	4 480	–	(340)	4 140	17 181
30 November 2021	5.50	5 980	–	(620)	5 360	22 244
Total		19 850	–	(6 777)	13 073	54 253

Fair value based on closing share price as at 30 June 2023 of R4.15.

Weighted average remaining years of 2.49 years.

	Group					
	30 June 2022					
Offer date	Issue share price R	Balance at 30 June 2021 '000	Offered '000	Forfeited/ Vested '000	Balance as at 30 June 2022 '000	Fair Value as at 30 June 2022 R'000
8 December 2017	6.20	2 180	–	(150)	2 030	8 912
1 November 2018	5.50	3 220	–	(230)	2 990	13 126
30 November 2019	3.30	5 490	–	(1 120)	4 370	19 184
07 December 2020	3.50	5 700	–	(1 220)	4 480	19 667
30 November 2021	5.50	–	5 980	–	5 980	26 252
Total		16 590	5 980	(2 720)	19 850	87 142

Fair value based on closing share price as at 30 June 2022 of R4.39.

Weighted average remaining years of 2.89 years.

30. SHARE-BASED PAYMENTS CONTINUED

	Group		Company	
	June 2023 Number of shares	June 2022 Number of shares	June 2023 Number of shares	June 2022 Number of shares
Movements in number of instruments:				
Outstanding at the beginning of the period	2 839	2 672	–	–
Vested				
Active employees	405 719	167	–	–
Outstanding at the end of the period	408 558	2 839	–	–

This represents the shares vested but not yet exercised.

Forfeitable Share Plan

In the current financial year a new Forfeitable Share Plan was implemented. The purpose of the plan is to attract, retain, motivate and reward employees on a basis which aligns their interests with those of the Group and the shareholders of the Company.

The Remuneration Committee will be responsible for selecting the employees who will from time to time participate in the plan as well as the extent of their participation. In making a decision, the Remuneration Committee will have regard to the employee's seniority, job function and role.

Forfeitable shares that are awarded will be transferred to the employees who will become the owner thereof but shall not be entitled to dispose of, or encumber, those forfeitable shares prior to vesting date. The shares will in all other respects enjoy the same rights as other issued shares.

Share awards will be subject to performance conditions linked to both a retention period as well as key performance indicators linked to the Group's performance.

The aggregate number of shares which may be utilised for the plan at any time shall not exceed 57 000 000 shares. The total aggregate of awards in the previous 10 years may not exceed 10% of the ordinary shares of the company in issue immediately prior to an award.

The aggregate number of shares that any one participant may acquire in terms of this plan may not exceed 11 400 000 shares.

AfroCentric expects that 65% of employees will be retained for the vesting period and that 50% of the shares awarded will vest based on the key performance indicators linked to the Group's performance.

The charge for the year is R3.5 million (2022: R0).

	Group					
	30 June 2023					
Offer date	Issue share price R	Balance at 30 June 2022 '000	Offered '000	Forfeited/ Vested '000	Balance as at 30 June 2023 '000	Fair Value as at 30 June 2023 R'000
15 December 2022	5.05	–	9 735	–	9 735	40 400
Total		–	9 735	–	9 735	40 400

Fair value based on closing share price as at 30 June 2023 of R4.15.

Weighted average remaining years of 2.42 years.

47 265 000 shares remain available under the Forfeitable Share Plan.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

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31. CONTINGENCIES, COMMITMENTS AND GUARANTEES

Contingencies

Exposure to errors and omissions in ordinary course of business

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

Neil Harvey & Associates Proprietary Limited

In 2018, Neil Harvey and Associates (**NHA**) initiated a claim against Medscheme for unauthorised use of the EMI Broker software from 2005 to 2007, a tool that Medscheme helped to develop. NHA's claim, valued at approximately R24 million, was examined independently.

Following a 30-day hearing in 2020, the arbitrator determined that Medscheme did not have joint ownership of the software, constituting a copyright infringement. However, due to NHA's inability to demonstrate a loss, they were awarded a nominal R2.7 million. Additionally, claims made against three former Medscheme executives were dismissed.

Subsequently, NHA increased the value of their remaining claims to around R356 million. In 2021, they appended an additional R500 million claim relating to Medscheme's revenue from using a version of Nexus allegedly replicating Medware. NHA's expert quantified the total loss to exceed R1.5 billion.

The presentation of final arguments on NHA's outstanding claims is anticipated from mid-August to mid-September 2023, and we await the arbitrator's decision by December 2023.

Dossier registration milestone payments

As part of the acquisition of the Activo Healthcare Assets Group during the 2022 financial year, an at acquisition contingent liability of R8.62 million was recognised for anticipated future payments linked to predetermined milestones being achieved in the process of registering dossiers that were initiated by date of acquisition.

The timing of registration of the dossiers is uncertain and as such the contingent liability will remain in place until all the dossiers linked thereto have been finalised.

	Group		Company	
Guarantees	**2023 R'000**	**2022 R'000**	**2023 R'000**	**2022 R'000**
Guarantees issued in respect of office rental for premises occupied by the Group	**3 516**	5 503	**–**	–
Medical aid schemes	**–**	1 000	**–**	–
South African Post Office	**3 800**	3 800	**–**	–
City Power Johannesburg	**500**	500	**–**	–
MMed guarantees to suppliers*	**–**	850	**–**	–
	7 816	11 653	**–**	–

* *MMed Distribution Proprietary Limited was disposed of in the current financial year therefore no guarantees relating to the entity has been retained. Refer to Note 4 for further details.*

32. RELATED PARTY TRANSACTIONS

32.1 Directors

Details relating to directors' emoluments are disclosed in Note 23. There are no loans to directors.

The directors' shareholdings are disclosed on page 7 of the Annual Financial Statements. Transactions by the directors with Group entities are listed below.

Relationships with directors in the Group

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

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

MJ Madungandaba (70%) and Dr ATM Mokgokong (30%) control Namane Financial Services Proprietary Limited.

MJ Madungandaba (42%) and Dr ATM Mokgokong (30%) control Mesure Facilities Management Proprietary Limited.

MJ Madungandaba (8.29%) and Dr ATM Mokgokong (3.55%) have an interest in Jasco Electronics Holdings Limited.

32.2 Transactions with related parties

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

Directors

			Group	
Paid by	**Company received**	**Nature of transaction**	**June 2023 R'000**	**June 2022 R'000**
Directors	Schemes administered by Medscheme Holdings Proprietary Limited	Medical aid contributions	**363**	654
AfroCentric Health (RF) Proprietary Limited	Mesure Facilities Management Proprietary Limited	Facilities management fees - salaries	**16 215**	11 950
AfroCentric Health (RF) Proprietary Limited	Mesure Facilities Management Proprietary Limited	Facilities management fees - cleaning and security	**20 047**	22 263
AfroCentric Health (RF) Proprietary Limited	Mesure Facilities Management Proprietary Limited	Facilities management fees - refurbishments, projects and capex	**17 734**	8 403
AfroCentric Health (RF) Proprietary Limited	Mesure Facilities Management Proprietary Limited	Facilities management fees - utilities	**28 895**	25 615
AfroCentric Health (RF) Proprietary Limited	Mesure Facilities Management Proprietary Limited	Facilities management fees - other	**1 945**	452
AfroCentric Technologies Proprietary Limited	Jasco Electronics Holdings Limited	IT services	**1 124**	96
AfroCentric Health (RF) Proprietary Limited	Namane Financial Services Proprietary Limited	Event management fees	**169**	–
Activo Health Proprietary Limited	Northern Lights Trading 172 Proprietary Limited	Rental costs	**1 159**	1 250
AfroCentric Distribution Services Proprietary Limited	Northern Lights Trading 172 Proprietary Limited	Rental costs	**3 474**	3 698
Pharmacy Direct Proprietary Limited	Northern Lights Trading 172 Proprietary Limited	Rental costs	**751**	1 954
AfroCentric Employee Health Solutions Proprietary Limited	Northern Lights Trading 172 Proprietary Limited	Rental costs	**106**	228
AfroCentric Health (RF) Proprietary Limited	WAD Holdings Proprietary Limited	AfroCentric Distribution Services Proprietary Limited minority interest buy-out.	**82 914**	–

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

32. RELATED PARTY TRANSACTIONS CONTINUED

32.2 Transactions with related parties *continued*

Related entities with the Holding company Sanlam Group*

			Group	
Company Paid	**Company received**	**Nature of transaction**	**June 2023 R'000**	**June 2022 R'000**
Medscheme Holdings Proprietary Limited	Sanlam Life Insurance Limited	Building rental	754	–
Sanlam Indie Proprietary Limited	AfroCentric Financial Services Proprietary Limited	Other Income	10	–
Brightrock Proprietary Limited	Tendahealth Proprietary Limited	Commission	54	–
AfroCentric Health (RF) Proprietary Limited	Sanlam Life Insurance Limited	Sponsorship	80	–
Medscheme Holdings Proprietary Limited	Sanlam Life Insurance Limited	Funeral cover contributions	2 158	–
AfroCentric Investment Corporation Limited	Sanlam Life Insurance Limited	Non-executive directors fees	1 407	–
AfroCentric Investment Corporation Limited	Sanlam Life Insurance Limited	Exhibitions fees	997	–
The Cheese Has Moved Proprietary Limited	Sanlam Life Insurance Limited	Funeral cover contributions	47	–
Sanlam Life Insurance Limited	AfroCentric Workcare Proprietary Limited	Wellness revenue	2 795	–
Sanlam Life Insurance Limited	AfroCentric Workcare Proprietary Limited	Executive wellness revenue	17	–
AfroCentric Investment Corporation Limited	Sanlam Life Insurance Limited	Consultancy fees	414	–
AfroCentric Health (RF) Proprietary Limited	Sanlam Life Insurance Limited	Marketing fees	104	–
AfroCentric Distribution Services Proprietary Limited	Sanlam Life Insurance Limited	Sponsorship	50	–
AfroCentric Health Insure Proprietary Limited	Sanlam Life Insurance Limited	Consultancy fees	114	–
AfroCentric Employee Health Solutions Proprietary Limited	Sanlam Life Insurance Limited	Entertainment costs	8	–
Medscheme Holdings Proprietary Limited	Sanlam Life Insurance Limited	Entertainment costs	1	–
Wellworx Proprietary Limited	Sanlam Healthcare Distribution Services Proprietary Limited	Marketing fees	117	–
Wellworx Proprietary Limited	Sanlam Healthcare Distribution Services Proprietary Limited	Agency fees	14	–
Wellworx Proprietary Limited	Sanlam Healthcare Distribution Services Proprietary Limited	Consultancy fees	87	–
Medscheme Holdings Proprietary Limited	Sanlam Umbrella Pension Fund Proprietary Limited	Pension fund contributions	29 641	–
Dental Information Systems Proprietary Limited	Sanlam Umbrella Pension Fund Proprietary Limited	Pension fund contributions	938	–
Medscheme Holdings Proprietary Limited	Sanlam Health Solutions Proprietary Limited	Member contributions	111	–

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

32. RELATED PARTY TRANSACTIONS CONTINUED

32.2 Transactions with related parties *continued*

			Group	
Company Paid	**Company received**	**Nature of transaction**	**June 2023 R'000**	**June 2022 R'000**
AfroCentric Health (RF) Proprietary Limited	Sanlam Health Solutions Proprietary Limited	Exhibitions fees	358	–
Sanlam Health Solutions Proprietary Limited	AfroCentric Health (RF) Proprietary Limited	Expenses recovery	119	–
AfroCentric Health (RF) Proprietary Limited	Sanlam Health Solutions Proprietary Limited	Marketing costs	238	–
Sanlam Health Solutions Proprietary Limited	Tendahealth Proprietary Limited	Commission	75	–
Sanlam Limited	Tendahealth Proprietary Limited	Commission	17	–
Sanlam Indie Proprietary Limited	AfroCentric Financial Services Proprietary Limited	Other income	11	–
Sanlam Indie Proprietary Limited	Wellness Odyssey Proprietary Limited	Other income	200	–
Centriq Insurance Company Limited	AfroCentric Health Insure Proprietary Limited	Gap outsourced fees	44	–
Miway Insurance Proprietary Limited	AfroCentric Workcare Proprietary Limited	Wellness revenue	162	–
Miway Insurance Proprietary Limited	Tendahealth Proprietary Limited	Commission	3	–
Miway Insurance Proprietary Limited	AfroCentric Financial services Proprietary Limited	Commission	49	–
Miway Insurance Proprietary Limited	AfroCentric Financial services Proprietary Limited	Other income	136	–
Sanlam Limited	AfroCentric Workcare Proprietary Limited	Wellness revenue	108	–
Sanlam Primary Health Insurance Proprietary Limited	Wellworx Proprietary Limited	Commission	31	–
Santam Proprietary Limited	Tendahealth Proprietary Limited	Other income	8	–
Santam Proprietary Limited	Tendahealth Proprietary Limited	Road Accident Fund	8	–
Santam Proprietary Limited	AfroCentric Financial Services Proprietary Limited	Other income	6	–
Santam Proprietary Limited	AfroCentric Workcare Proprietary Limited	Wellness revenue	220	–

* *Entities within the Sanlam Group became related parties during the current financial period due to the acquisition by Sanlam Group of 60% of AfroCentric Investment Corporation Limited's shares. As such, no comparative values are disclosed.*

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

32. RELATED PARTY TRANSACTIONS CONTINUED

32.2 Transactions with related parties *continued*

Transactions with entities in the Group

	Company	
	June 2023 R'000	June 2022 R'000
Balances		
AfroCentric Health (RF) Proprietary Limited loan account	**(41 893)**	(11 952)
Interest charged		
Interest paid to AfroCentric Health (RF) Proprietary Limited	**(2 113)**	(2 470)
Dividends received		
Dividends received from ACT Healthcare Assets Proprietary Limited	**107 078**	205 515

32.3 Key management personnel compensation

Short-term employee benefits	**20 549**	22 896
Share-based payments	**2 132**	4 455

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

32.4 Intergroup guarantees

The following Group companies have provided cross guarantees for borrowing facilities offered to the Group:

- Medscheme Holdings Proprietary Limited
- AfroCentric Technologies Proprietary Limited
- Curasana Wholesaler Proprietary Limited
- Glen Eden Trading 58 Proprietary Limited
- Pharmacy Direct Proprietary Limited
- ACT Healthcare Assets Proprietary Limited
- Scriptpharm Risk Management Proprietary Limited
- Activo Health Proprietary Limited
- AfroCentric Health (RF) Proprietary Limited
- Dental Information Systems Proprietary Limited
- AfroCentric Health Management Services Proprietary Limited

33. 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

34. CONTINGENT CONSIDERATION

34.1 Contingent consideration comprises:

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Contingent consideration on Activo Healthcare Assets Proprietary Limited	80 123	75 798	–	–

This represents the fair value of the contingent consideration relating to the acquisition of Activo Healthcare Assets Proprietary Limited during the prior financial period. The fair value has been assessed at year-end.

In terms of the sale of share agreement the maximum contingent consideration payable is limited. As such, the liability will not increase beyond what has been recognised in the current financial year, with the exception of recognising the finance cost component as a result of the time value of money. The minimum liability cannot be estimated as the potential reductions to the contingent consideration payable can only be quantified on occurrence of specified future events.

34.2 Reconciliation of the movement:

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Opening Balance	75 798	68 016	–	–
Fair value adjustment	(5 176)	–	–	–
Finance cost	9 501	7 782	–	–
Closing balance as at the end of the year*	80 123	75 798	–	–

* *The contingent consideration is payable on 31 December 2023 and was therefore classified as a current liability in the current financial period.*

35. DEFERRED PAYMENT

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Deferred payment	–	14 139	–	–

On 1 August 2022 (effective date and acquisition date) Activo Health Proprietary Limited concluded agreements governing the acquisition of 100% of the Activo Healthcare Assets Proprietary Limited (formerly known as Exeltis SA) Group of companies. The cash consideration was R190 million, which is made up of the following:

» R150 million loan to Shelsley Proprietary Limited which was applied against the purchase price; and
» R40 million paid in cash on acquisition date.

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

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

Movement in deferred payment are as follows:

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Balance at the beginning of the year	14 139		–	–
Liability arising at acquisition	–	22 207	–	–
Payments made during the year	(15 000)	(10 000)	–	–
Finance cost	861	1 932	–	–
Balance at the end of the year	–	14 139	–	–

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

36. SUBSEQUENT EVENTS

On 3 July 2023 it was announced that, through mutual agreement between the Group and A Banderker (the current AfroCentric Group Chief Executive Officer), A Banderker will leave AfroCentric to take up a role in the wider Sanlam Group effective 1 November 2023. G van Wyk was appointed to the role of CEO Designate: AfroCentric Group, effective 1 August 2023 until 31 October 2023, after which he will assume the role of Group Chief Executive Officer.

37. GOING CONCERN

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

38. RESTATEMENT OF PRIOR PERIODS

38.1 Restatement of June 2022 and June 2021 results

During the 2020, 2021 and 2022 financial periods, MMed Distribution Proprietary Limited erroneously omitted to accrue for purchase invoices in relation to goods received prior to the respective financial period ends as a result of late submission of the invoices by the suppliers.

These cut-off errors resulted in MMed's cost of sales and payables being understated at each year end. The cut-off error relates to inventory already delivered to customers at each year end, therefore the inventory balance is unaffected by the error.

The error did not have an impact on the Group's statement of cash flows.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

38.1.1 Statement of financial position

	30 June 2022 As previously reported R'000	Adjustment (decrease)/ increase R'000	30 June 2022 Restated R'000	30 June 2021 As previously reported R'000	Adjustment (decrease)/ increase R'000	1 July 2021 Restated R'000
Consolidated statement of financial position (extract)						
Equity						
Retained income	1 255 650	(9 685)	1 245 965	1 149 171	(8 213)	1 140 958
Non-controlling interests	997 491	(9 719)	987 772	928 752	(8 241)	920 511
Total Equity	3 445 885	(19 404)	3 426 481	3 255 724	(16 454)	3 239 270
Trade and other payables	628 416	19 404	647 820	447 789	16 454	464 243
Total current liabilities	995 798	19 404	1 015 202	785 977	16 454	802 431
Total Liabilities	1 991 721	19 404	2 011 125	1 858 642	16 454	1 875 096
Total equity and liabilities	5 437 606	–	5 437 606	5 114 366	–	5 114 366

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2023

38. RESTATEMENT OF PRIOR PERIODS CONTINUED

38.1 Restatement of June 2022 and June 2021 results *continued*

38.1.2 Statement of comprehensive income

	30 June 2022 As previously reported R'000	Adjustment decrease R'000	30 June 2022 Restated R'000
Consolidated statement of comprehensive income (Extract)			
Cost of pharmaceutical products and finished goods	(2 022 726)	(2 950)	(2 025 676)
Profit for the year	481 740	(2 950)	478 790
Profit for the year attributable to:			
Owners of Parent	314 276	(1 472)	312 804
Non-controlling interest	167 464	(1 478)	165 986
Total comprehensive income	483 241	(2 950)	480 291
Comprehensive income attributable to:			
Owners of parent	315 341	(1 472)	313 869
Non-controlling interests	167 900	(1 478)	166 422
	483 241	(2 950)	480 291
Earnings per share (cents) attributable to equity holders of the parent			
Total basic earnings per share	54.57	(0.25)	54.32
Total diluted earnings per share	52.75	(0.24)	52.51
Total headline earnings per share	55.07	(0.26)	54.81
Total diluted headline earnings per share	53.24	(0.25)	52.99

38.1.3 Statement of changes in equity

	30 June 2022 As previously reported R'000	Adjustment decrease R'000	30 June 2022 Restated R'000	30 June 2021 As previously reported R'000	Adjustment decrease R'000	1 July 2021 Restated R'000
Consolidated statement of changes in equity (extract)						
Retained income	1 255 650	(9 685)	1 245 965	1 149 171	(8 213)	1 140 958
Non-controlling interests	997 491	(9 719)	987 772	928 752	(8 241)	920 511
Total Equity	3 445 885	(19 404)	3 426 481	3 255 724	(16 454)	3 239 270

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued
for the year ended 30 June 2023

38. RESTATEMENT OF PRIOR PERIODS CONTINUED

38.1 Restatement of June 2022 and June 2021 results *continued*

38.1.4 Notes to the consolidated financial statements

The restatement affected the following notes to the financial statements:

*Note 3(iv) Liquidity risk

*Note 3(v) Capital risk management

*Note 5 Segment information

*Note 9 Financial liabilities by category

*Note 9.4 Trade and other payables

*Note 18 Non-controlling interest

*Note 22 Cost of pharmaceutical products and finished goods

*Note 26 Earnings per share

*Note 27 Cash flows from operating activities

38.2 Change in presentation – Statement of Comprehensive Income

During the current financial period, the disclosure was revised to disaggregate the material capitation costs from Other expenses to provide more relevant information to the users of the financial statements.

	30 June 2022 As previously reported R'000	Re-presentation due to discontinued operations increase R'000	Adjustment (increase)/ decrease R'000	30 June 2022 Restated R'000
Statement of Comprehensive income (Extract)				
Capitation costs	–	–	(1 851 342)	(1 851 342)
Other expenses	(2 879 641)	(425)	1 851 342	(1 028 724)

SUPPLEMENTARY INFORMATION

for the year ended 30 June 2023

The supplementary information relates to non-IFRS information and does not form part of the audited financial statements.

1. ADJUSTED PROFIT (EBITDA) EARNINGS FOR MANAGEMENT EARNINGS (NON-IFRS INFORMATION)

	Healthcare SA R'000	Healthcare Africa R'000	Healthcare Retail R'000	Total Healthcare R'000	Information Technology R'000	Inter-Group eliminations R'000	Group R'000
Year ended 30 June 2023							
Profit before taxation	227 914	90 108	135 394	453 416	(34 393)	7 513	426 536
Depreciation and amortisation	29 151	5 223	20 782	55 156	179 560	57 083	291 799
Reversal of impairment	1 304	–	10 137	11 441	25 000	(9 326)	27 115
Reversal of write-off of intangible assets	–	–	–	–	5 415	–	5 415
Share-based payment expense	14 935	228	2 264	17 427	678	(268)	17 837
Net finance income/(cost)	20 200	(2 731)	33 491	50 960	4 524	–	55 484
Adjusted profit for the year (EBITDA)	293 504	92 828	202 068	588 400	180 784	55 002	824 186
Year ended 30 June 2022							
Profit before taxation	309 881	79 498	289 405	678 784	76 327	(78 421)	676 690
Depreciation and amortisation	32 049	4 821	22 015	58 885	189 165	70 357	318 407
Reversal of impairment	3 621	762	–	4 383	–	(1 180)	3 203
Share-based payment expense	11 730	268	1 747	13 745	342	(239)	13 848
Net finance income/(cost)	16 707	(1 529)	23 170	38 348	4 035	(330)	42 053
Adjusted profit for the year (EBITDA)	373 988	83 820	336 337	794 145	269 869	(9 813)	1 054 201

SUPPLEMENTARY INFORMATION continued

for the year ended 30 June 2023

2. NORMALISED EARNINGS PER SHARE

	Group	
	2023 R'000	2022 R'000
Normalised earnings (non-IFRS information)[1]		
Headline earnings	216 408	315 667
Adjusted by:		
Less: Lease reversal	(75 241)	(75 805)
Add: Depreciation on right of use assets	65 380	61 606
Add: Interest on lease liability	16 964	18 781
Add: Acquisition related costs	15 060	–
Add: MMed closure costs	65 048	–
Add: Discontinued operations reversal	–	6 937
Total tax effects of adjustments	(13 018)	(1 283)
Total NCI effects of adjustments	(17 849)	(947)
Normalised headline earnings	272 752	324 956
Normalised headline earnings per share (cents)		
Basic	45.62	56.43
Diluted	43.95	54.55

[1] *Given the material non-cash, non-trading and non-recurring deductions which have a significant adverse impact on the earnings, management has adopted a non-IFRS earnings measure model.*

3. CASH EARNINGS PER SHARE

	Group	
	2023 R'000	2022 R'000
Cash generated from operations	800 257	1 101 850
Cash earnings per share (cents)		
Basic	133.86	191.33
Diluted	128.94	184.96

COMPANY INFORMATION

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1709

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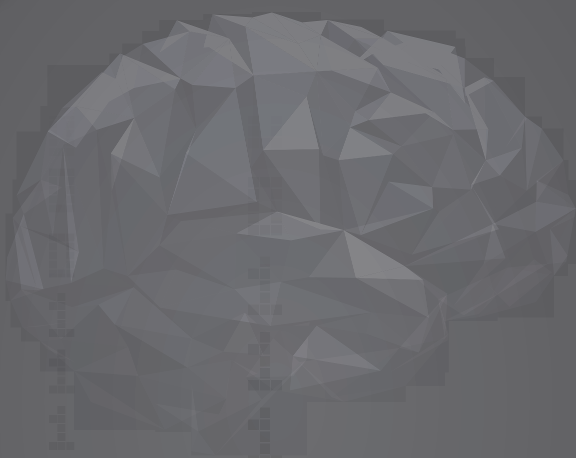

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