



AFFINITY
INTERNATIONAL

2022

ANNUAL REPORT

Affinity International Limited, and Its Subsidiaries

Registration number 52632

Consolidated annual financial statements for the year ended
28 February 2022

These consolidated financial statements were prepared by:

L Reyneke & Associates Incorporated

Issued 25 August 2022



General Information

- ▶ **Country of incorporation and domicile**
Bermuda
- ▶ **Nature of business and principal activities**
Investment Holding
- ▶ **Directors**
M Hewlett
M F Wilson
J Watlington
L A de Koker
- ▶ **Registered office**
Belvedere Building, 69 Pitts Bay Road
Pembroke HM 08 Bermuda
- ▶ **Business address**
Belvedere Building, 69 Pitts Bay Road
Pembroke HM 08 Bermuda
- ▶ **BSX Listing Sponsor**
Clarien BSX Services Limited
- ▶ **Auditors**
L Reyneke & Associates Inc.
Chartered Accountants
Registered Auditors
- ▶ **Secretary**
Alexander Management Ltd.

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Published: 25 August 2022



Risk Management and Internal Audit Committees

Internal Audit

The Risk Management and Internal Audit Committees considered the effectiveness of the internal audit function and monitored adherence to the annual internal audit plan. All internal audit reports were reviewed and discussed at meetings and, where appropriate, recommendations were made to the Board.

Management has reviewed the internal control over internal financial controls, including disclosure and procedures, and presented their findings to the Audit and Risk Committees. Based on this review, nothing has come to the attention of the Committees to indicate that significant internal financial controls have not operated as intended.

Risk Management

The Committees reviewed the Company risk register prior to it being presented to the Board. The Committees also had to review Minutes from two meetings dedicated to risk during the year where matters of risk were discussed.

Going Concern Status

The Committees has considered the going concern status of the Company on the basis of review of the annual financial statements and the information available to the Committees and recommended such going concern status for the adoption by the Board.

The Board statement on the going concern status of the Company is contained on page 4 in the statement of directors' responsibilities.

Discharge of Responsibilities

The Committees is satisfied that during the financial year under review it has conducted its affairs, discharged its legal and other responsibilities as outlined in its charter. The Board concurred with this assessment.

Annual Report

The Committees has considered all factors and risks that may impact the integrity of this annual report. The Committees has reviewed and discussed the audited financial statements with the external auditors and executive management as reported in the annual report. Apart from the annual financial statements set out on pages 10 to 31 that form part of the annual report, no other external assurance has been obtained for information contained in the annual report.

The Committees is satisfied that the report complies with the Bermuda Companies Act of 1981 and IFRS and has therefore recommended the annual financial statements for approval to the Board.

Alou De Koker

A D De Koker

Chairman of Risk Management Committee

International - Maudy Cronje

M Cronje

Chairman of the Internal Audit Committee

Directors' Responsibilities and Approval

The directors are required under of the Bermuda Companies Act 1981 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report.

It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company.

While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group cash flow forecast for the year to 28 February 2023 and, in light of this review and the current financial position, they are satisfied that the Group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 8 to 31, which have been prepared on the going concern basis, were approved by the board of directors on 25 August 2022 and were signed on their behalf by:

Approval of financial statements



M Hewlett
Group Chief Executive Officer



M F Wilson
Group Chief Financial Officer

Independent Auditor's Report

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS
OF AFFINITY INTERNATIONAL LIMITED AND ITS SUBSIDIARIES**

REGISTRATION NUMBER : 52632

We have audited the Consolidated Annual Financial Statements of Affinity International Limited and its Subsidiaries set out on pages 10 to 31, which comprise the Statement of Financial Position as at 28 February 2022, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

Opinion

In our opinion, the Consolidated Annual Financial Statements present fairly, in all material respects, the financial position of Affinity International Limited and its Subsidiaries as at 28 February 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Annual Financial Statements of the current year. The matters were address in the context of our audit of the Consolidated Annual Financial Statements as a whole, and in forming our opinion there on, and we do not provide separate opinion on these matters.

We have determine that there are no key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to issuing this report. Other information does not include the Consolidated annual financial statements and our auditor's report thereon.

Our opinion on the Consolidated Annual Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Annual Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Annual Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

L REYNEKE & ASSOCIATES INCORPORATED Reg No: 1995/000503/21

Public Accountants & Auditors, Tax Advisors & Management Consultants

**5 Bauhinia street, 30 Cambridge Office Park, First Floor, Highveld Techno Park, Centurion
P O Box 67376 Highveld 0169 Telephone: 011 315 4283**

DIRECTOR: L REYNEKE, CA (SA), RA ASSOCIATE: S T DAWSON, AGA (SA)

Responsibilities of the directors for the Consolidated Annual Financial Statements

The group's directors are responsible for the preparation and fair presentation of the Consolidated Annual Financial Statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of Consolidated Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Annual Financial Statements, the directors are responsible for assessing 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Consolidated Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Annual 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 International Standards on Auditing 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 Annual Financial Statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Annual Financial Statements, whether due to fraud, error, or 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 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 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 Annual 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Annual Financial Statements, including the disclosures, and whether the Consolidated Annual Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.



LEONARD REYNEKE CA (SA) RA

30 August 2022

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Affinity International Limited, and Its Subsidiaries for the year ended 28 February 2022.

1. Incorporation

The company was incorporated in Bermuda under registration number 52632 on 05 June 2017, and obtained its certificate to commence business on the same day.

Affinity International Limited is an investment holding company and is listed on the Bermuda Stock Exchange (BSX). The business profile of the Affinity International Limited Group includes the supply of medical cover, medicine and other related services, financial services and information technology.

Affinity International Limited's registered office is located at Belvedere Building, 69 Pitts Bay Road, Pembroke HM 08, Bermuda.

The BSX is a member of the World Federation of Exchanges (WFE), an affiliate member of the International Organisation of Securities Commission (IOSCO) and regulated by the Bermuda Monetary Authority (BMA). The BSX is recognised by the US Securities Exchange Commission as a Designated Offshore Securities Exchange (DOSM), and by the UK Financial Services Authority (FSA) as a 'Designated Investment Exchange'.

2. Review of financial results and activities

The results of the Group are set out in the attached annual financial statements, reflected on pages 10 to 31.

3. Shareholding and changes

The company was incorporated with an authorised capital of \$50,000, consisting of 1,000 shares of \$0.001 par value Class A Voting Shares (the Class A Voting Shares) and 49,999,000 shares of \$0.001 par value Class B Non-voting Shares (the Class B Non-Voting Shares).

The Company has issued 200 Class A Voting Shares since the date of incorporation until 23 October 2019, and 10,000,000 Class B Non-voting Shares at a par value of US\$0.001 per share on 23 October 2019. The authorised and issued share capital of the Company as at 28 February 2022 is set out in Note 11 "Share Capital" of the consolidated financial statements.

4. Accounting Practices

The financial statements for the year ended 28 February 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, the IFRS Interpretations Committee (IFRS IC), interpretations applicable to companies reporting under IFRS, the Financial Reporting Standards Council. The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

5. Dividends

No dividends were declared or paid to the shareholder during the year under review.

6. The impact of uncertainty of Covid-19

The COVID-19 pandemic had developed rapidly in 2020. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our personnel (such as social distancing and working from home). We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our personnel.

7. Directorate

The directors in office at the date of this report are as follows:

| Directors | Office | Designation | Nationality |
|--------------|-------------------------|---------------|---------------|
| M Hewlett | Chief Executive Officer | Executive | South African |
| M F Wilson | Chief Financial Officer | Executive | British |
| L A de Koker | | Non-executive | Hungarian |
| J Watlington | | Non-executive | Bermudian |

8. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the company had an interest and which significantly affected the business of the company.

9. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

10. Going concern

The directors believe that the company and group has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company and group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

11. Auditors

L Reyneke & Associates Incorporated acted as auditors for the company and group for 2022.

12. Secretary

The company secretary is Alexander Management Ltd.

13. Interest in Subsidiary Company.

| Name | Cost USD | Held by Company |
|--|----------|-----------------|
| Affinity Health (Botswana) Private Ltd | 12 | 100% |
| | 12 | |



Statement of Financial Position as at 28 February 2022

| Expressed in USD | Note(s) | Company 2022 | Company 2021 | Group 2022 | Group 2021 |
|-------------------------------------|---------|-----------------|-----------------|-------------------|-------------------|
| Assets | | | | | |
| Non-Current Assets | | | | | |
| Property, plant and equipment | 2 | - | - | 2,017,010 | 2,491,536 |
| Goodwill | 3 | - | - | 831,192 | 223,622 |
| Investment in subsidiary | 4 | 12 | 12 | - | - |
| Other financial assets | 9 | - | - | 9,118,782 | - |
| Loans to group companies | 5 | 732,968 | 732,968 | - | - |
| Deferred tax | 6 | - | - | - | 43,104 |
| | | 732,980 | 732,980 | 11,966,984 | 2,758,262 |
| Current Assets | | | | | |
| Inventories | 7 | - | - | 198,550 | 36,705 |
| Trade and other receivables | 8 | - | - | 736,875 | 1,118,322 |
| Other financial assets | 9 | - | - | 1,833,991 | 5,580,553 |
| Current tax receivable | | - | - | 10,944 | 125,839 |
| Cash and cash equivalents | 10 | - | - | 21,844,977 | 10,204,429 |
| | | - | - | 24,625,337 | 17,065,848 |
| Total Assets | | 732,980 | 732,980 | 36,592,321 | 19,824,110 |
| Equity and Liabilities | | | | | |
| Equity | | | | | |
| Share capital | 11 | 10,000 | 10,000 | 10,000 | 10,000 |
| Reserves | | - | - | (430,824) | 381,049 |
| Retained income | | - | - | 23,501,742 | 11,166,798 |
| Non-Controlling interest | | - | - | 41,640 | - |
| | | 10,000 | 10,000 | 23,122,558 | 11,557,847 |
| Liabilities | | | | | |
| Non-Current Liabilities | | | | | |
| Other financial liabilities | 14 | 722,980 | 722,980 | 722,980 | 722,980 |
| Finance lease liabilities | 12 | - | - | - | 20,139 |
| Deferred tax | 6 | - | - | 4,497 | - |
| | | 722,980 | 722,980 | 727,477 | 743,119 |
| Current Liabilities | | | | | |
| Finance lease liabilities | 12 | - | - | - | 22,440 |
| Trade and other payables | 13 | - | - | 5,178,200 | 1,084,129 |
| Current tax payable | | - | - | 1,922,338 | 340,150 |
| Bank overdraft | 10 | - | - | 1,560 | 251,917 |
| Insurance contract liabilities | 15 | - | - | 5,640,188 | 5,824,508 |
| | | - | - | 12,742,286 | 7,523,144 |
| Total Liabilities | | 722,980 | 722,980 | 13,469,763 | 8,226,264 |
| Total Equity and Liabilities | | 732,980 | 732,980 | 36,592,321 | 19,824,110 |

Statement of Profit/Loss and Other Comprehensive Income

| Expressed in USD | Note(s) | Company 2022 | Company 2021 | Group 2022 | Group 2021 |
|--|---------|-----------------|-----------------|-------------------|-------------------|
| Revenue | 16 | - | - | 68,801,140 | 31,700,460 |
| Direct costs | | - | - | (26,102,364) | (13,305,476) |
| Gross profit | | | | 42,698,776 | 18,394,984 |
| Other operating income | 17 | - | - | 217,139 | 129,931 |
| Other operating expenses | | - | - | (25,448,492) | (14,355,905) |
| Operating profit | 18 | - | - | 17,467,423 | 4,169,010 |
| Investment income | 19 | - | - | 205,361 | 82,598 |
| Fair value adjustment | 20 | - | - | 58,793 | - |
| Finance costs | 21 | - | - | (111,304) | (32,299) |
| Profit before taxation | | - | - | 17,620,273 | 4,219,309 |
| Taxation | 22 | - | - | (5,293,237) | (1,157,467) |
| Profit for the year | | - | - | 12,327,036 | 3,061,842 |
| Other comprehensive income: | | | | | |
| Exchange differences on translating foreign operations | | | | (811,872) | 536,881 |
| Other comprehensive (loss)/ income for the year net of taxation | | - | - | (811,872) | 536,881 |
| Total comprehensive income for the year | | - | - | 11,515,164 | 3,598,723 |
| Total comprehensive income attributable to: | | | | | |
| Owners of Affinity International Limited, and Its Subsidiaries | | - | - | 11,523,072 | 3,598,723 |
| Non-controlling interest | | - | - | (7,908) | - |
| | | - | - | 11,515,164 | 3,598,723 |

Statement of Changes in Equity

| Expressed in USD | Company Share capital | Company Retained income | Company Total equity | Group Share capital | Group Foreign currency translation reserve | Group Retained income | Group Non- controlling interest | Group Total equity |
|--|-----------------------------|-------------------------------|-------------------------|------------------------|--|-----------------------------|---------------------------------------|-----------------------|
| Balance at 01 March 2020 | 10,000 | - | 10,000 | 10,000 | (155,833) | 8,104,956 | - | 7,959,123 |
| Profit for the year | - | - | - | - | - | 3,061,842 | - | 3,061,842 |
| Other comprehensive income | - | - | - | - | 536,881 | - | - | 536,881 |
| Total comprehensive income for the year | - | - | - | - | 536,881 | 3,061,842 | - | 3,598,723 |
| Balance at 01 March 2021 | 10,000 | - | 10,000 | 10,000 | 381,048 | 11,166,798 | - | 11,557,846 |
| Profit for the year | - | - | - | - | - | 12,334,944 | (7,908) | 12,327,036 |
| Other comprehensive income | - | - | - | - | (811,872) | - | - | (811,872) |
| Total comprehensive income for the year | - | - | - | - | (811,872) | 12,334,944 | (7,908) | 11,515,164 |
| Business combinations | - | - | - | - | - | - | 49,548 | 49,548 |
| Total changes | - | - | - | - | - | - | 49,548 | 49,548 |
| Balance at 28 February 2022 | 10,000 | - | 10,000 | 10,000 | (430,824) | 23,501,742 | 41,640 | 23,122,558 |
| Note(s) | 11 | | | 11 | | | | |

Statement of Cash Flows

| Expressed in USD | Note(s) | Company 2022 | Company 2021 | Group 2022 | Group 2021 |
|---|---------|-----------------|-----------------|--------------------|--------------------|
| Cash flows from operating activities | | | | | |
| Cash generated from operations | 23 | - | - | 22,439,623 | 4,421,116 |
| Interest income | | - | - | 205,361 | 82,598 |
| Finance costs | | - | - | (111,304) | (32,299) |
| Tax paid | 24 | - | - | (3,552,237) | (583,499) |
| Net cash from operating activities | | - | - | 18,981,443 | 3,887,916 |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment | 2 | - | - | (942,641) | (741,002) |
| Premium on business combination | | - | - | (607,570) | - |
| Increase in other financial assets | | - | - | (5,313,428) | (1,405,850) |
| Net cash from investing activities | | - | - | (6,863,639) | (2,146,852) |
| Cash flows from financing activities | | | | | |
| Decrease in other financial liabilities (Decrease)/increase in Insurance Contract Liabilities | | - | - | - | (285,683) |
| Finance lease payments | | - | - | (42,579) | (15,980) |
| Net cash from financing activities | | - | - | (226,899) | 1,434,830 |
| Total cash movement for the year | | - | - | 11,890,905 | 3,175,894 |
| Total Cash at the beginning of the year | | - | - | 9,952,512 | 6,776,618 |
| Total cash at end of the year | 10 | - | - | 21,843,417 | 9,952,512 |

Notes to the Consolidated Financial Statements

Corporate information

Affinity International Limited is a limited company incorporated and domiciled in Bermuda.

The annual financial statements for the year ended 28 February 2022 were authorised for issue in accordance with a resolution of the directors on 25 August 2022.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Bermuda Companies Act of 1981

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in US Dollars, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Consolidation Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use of its power over the entity.

The results of subsidiaries are included in the consolidated annual financial statements from

the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statement of Changes in Equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the company.

Where a subsidiary is disposed of and a non-controlling shareholding is retained. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss or in other comprehensive income, in accordance with relevant IFRS's. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets Held For Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests in the acquiree are measured on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This treatment applies to non-controlling interests which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS's.

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the group at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|------------------------|---------------------|---------------------|
| Furniture and fixtures | Straight line | 6 years |
| Motor vehicles | Straight line | 5 years |
| Office equipment | Straight line | 5 years |
| IT equipment | Straight line | 3 years |
| Leasehold improvements | Straight line | 10 years |
| Other fixed assets | Straight line | 6 years |

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.4 Investments in subsidiaries

Investments in subsidiaries are measured at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

1.5 Financial Instruments

Initial recognition

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

The Company recognise a financial asset or a financial liability in the statement of financial position when the Company become party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or a financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets - Assessment whether contractual cash flows are solely payments of principle 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 Company 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.

The Company's financial instruments consist primarily of the following instruments and their measurement principles:

Principles under IAS 39 Financial Instruments: Recognition and Measurement:

- ▷ Loans and receivables consist of other receivables and cash and cash equivalents.
- ▷ Other financial liabilities consist of interest-bearing liabilities and other payables measured at amortised cost.

Principles under IFRS 9 Financial Instruments: Recognition and Measurement at cost:

- Financial assets at amortised cost consist of other receivables and cash and cash equivalents.
- Other financial liabilities consists of interest-bearing liabilities and other payables.

Impairment of financial assets

Impairment of Non-derivative financial assets

Principles under IAS 39 Financial Instruments: Recognition and Measurement at cost:

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

For financial assets, measured at amortised cost using the effective interest method, the following objective evidence is considered in determining when an impairment loss has been incurred:

- A breach of contract, such as default or delinquency in repayments; and
- It is becoming probable that the debtor will enter bankruptcy or other financial Re-organisation (such as business rescue).

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. For financial assets measured at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance for credit losses account.

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9, Financial Instruments. Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

Financial assets:

- Amortised cost
- At fair value through profit or loss

Financial liabilities:

- Amortised cost.
- At fair value through profit or loss.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Trade and other receivables

Classification:

Trade and other receivables are classified as financial assets subsequently measured at amortised cost (note 8).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on other receivables.

Recognition and measurement:

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment:

The company recognises a loss allowance for expected credit losses on other receivables, excluding prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for other receivables at an amount equal to lifetime expected credit losses (lifetime ECL),

which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses:

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

Write off policy:

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Trade and other payables

Classification:

Trade and other payables (note 13) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement:

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Other payables expose the company to liquidity risk. Refer to note 13 for details of risk exposure and management thereof.

Cash and cash equivalents:

Cash and cash equivalents are carried at amortised cost.

The company has elected to classify cash flows from interest paid and received as operating activities, cash flows from dividends received as investing activities, and cash flows from

dividends paid as financing activities.

Derecognition:

Financial assets:

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities:

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any noncash assets transferred, or liabilities assumed, is recognised in profit or loss.

1.6 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

The tax liability reflects the effect of the possible outcomes of a review by the tax authorities.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to

the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- ▷ A transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- ▷ a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 Leases

Company as lessee:

Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis. The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.

The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.

The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.

The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.

Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.

The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.

The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.

Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.

Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Company as lessor:

Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.

A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.

If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the

lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.

Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification.

Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amount of those inventories are 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories includes a "right to returned goods asset" which represents the company right to recover products from customers where customers exercise their right of return under the company returns policy. The company uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. A corresponding adjustment is recognised against cost of sales.

1.9 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- ▷ tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

- ▷ tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.10 Share capital and equity

If the company reacquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in

excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the year in which they are declared.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.12 Provisions and contingencies

Provisions are recognised when:

- ▷ the company has a present obligation as a result of a past event;
- ▷ it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- ▷ a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- ▷ has a detailed formal plan for the

restructuring, identifying at least;

- The business or part of a business concerned;
 - The principal locations affected;
 - The location, function, and approximate number of employees who will be compensated for terminating their services;
 - The expenditures that will be undertaken; and
 - When the plan will be implemented; and
- ▷ has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- ▷ the amount that would be recognised as a provision; and
- ▷ the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

1.13 Revenue from contracts with customers

The company recognises revenue from the following major sources:

- ▷ Dividends received from its investments - Holding company
- ▷ Sales of service in the form of medical cover contracts - Subsidiary company
- ▷ Sale of goods in the form of medical supplies - Subsidiary company

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- ▷ Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a

qualifying asset less any temporary investment of those borrowings.

- ▷ Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- ▷ expenditures for the asset have occurred;
- ▷ borrowing costs have been incurred, and
- ▷ activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Translation of foreign currencies

Foreign currency transactions

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

1.16 Insurance Contract Liabilities

Insurance Contract Liabilities consist of:

1. An estimate of the total claims incurred at year end, but not yet paid.

Claims reserves consist of two parts:

- ▷ Claims incurred and reported and admitted during the financial period, which have as yet not been paid (IBNS).

- ▷ Estimate of claims incurred during the financial period which have not as yet been notified, assessed and paid (IBNR).

The sum of the two reserves should equal the probability-weighted expected cash outflow, plus an explicit adjustment for risk, with discounting applied if material. Such provisions are applied for outstanding claims with Actuarial Guidance on the calculation of these reserves reflected in APN 304, published by the Actuarial Society of South Africa.

The IBNR is calculated using the basic chain-ladder method, which involves estimating cumulative claim development factors derived from post development periods to obtain an estimate of the ultimate claims for each claims month. The primary underlying assumption of the chain – ladder method is that historical loss development patterns are indicative of future loss development patterns.

The provision estimations techniques and assumptions are periodically reviewed. Whilst the directors consider the Insurance contract provisions to be fairly stated on the basis of information currently available to them, the ultimate liability will vary as a result of subsequent information and events, and may result in significant adjustments to the amounts provided.

Liabilities for claims that are anticipated but have not been reported (IBNR) are secured by a payment guarantee in favour of Lion of Africa Assurance Company Limited and are held in specific Claims Bank accounts in the name of National Risk Managers (Pty) Ltd, as required by an Agreement entered into between National Risk Managers (Pty) Ltd and Lion of Africa Assurance Company Limited, being a duly registered Insurer in terms of the Laws of the Republic of South Africa.

2. A Minimum Capital Requirement (MCR) calculated using the Solvency Assessment and Management Approach, which meets all of the requirements as set out in the IAIS's core principals.

Such MCR specifies the lowest level of capital at which the FSCA can introduce its most severe levels of intervention. The calculation is based on the greater of \$964,075 or 13 weeks operating expenses. The minimum level of capital is designed to provide a minimum assurance of the financial capacity and soundness of the company.

Reserves held in terms of the MCR are kept in separate call accounts in the name of Affinity Health (Pty) Ltd.

2. New standards and interpretations

Standards and interpretations effective and adopted in the current year.

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7

The amendment sets out additional disclosure requirements related to interest rate benchmark reform.

The effective date of the company is for years beginning on or after 01 January 2021.

The company has adopted the amendment for the first time in the 2022 financial statements.

The impact of the amendment is not material.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9

When there is a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform then the entity is required to apply paragraph B5.4.5 as a practical expedient. This expedient is only available for such changes in basis of determining contractual cash flows.

Additional temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of risk components have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date of the company is for years beginning on or after 01 January 2021.

The company has adopted the amendment for the first time in the 2022 financial statements.

The impact of the amendment is not material.

Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39

Temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of financial items as hedged items have been added to hedge

relationships specifically impacted by interest rate benchmark reform.

The effective date of the company is for years beginning on or after 01 January 2021.

The company has adopted the amendment for the first time in the 2022 financial statements.

The impact of the amendment is not material.

Standards and interpretations not yet effective or adopted.

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 January 2022 or later periods:

Annual Improvement to IFRS standards 2018 – 2020: Amendments to IFRS 1

A subsidiary that uses the cumulative translation differences exemption, may elect in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

The effective date of the company is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2023 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Reference to the Conceptual Framework: Amendments to IFRS 3

The amendment makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the IASC's

Framework for the Preparation and Presentation of Financial Statements. The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to provisions, contingent liabilities or levies to determine if a present obligation exists at the Acquisition date. The amendment further clarifies that

contingent assets of acquirees share not be recognised as part of the business combination.

The effective date of the company is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2023 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the company is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2023 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would

be required in such circumstances.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company expects to adopt the amendment for the first time in the 2024 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after 01 January 2023.

The company expects to adopt the standard for the first time in the 2024 financial statements.

It is likely that the standard will have an impact on the company's financial statements.

Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts is now specifically required.

The effective date of the company is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2023 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Notes to the Consolidated Financial Statements

2. Property, plant and equipment - Group

| | 2022 | | | 2021 | | |
|-------------------------------------|------------------|-------------------------|------------------|------------------|--------------------------|------------------|
| | At Cost | Accumulate depreciation | Carrying value | At Cost | Accumulated depreciation | Carrying value |
| Furniture and fixtures | 758,025 | (615,657) | 142,368 | 958,460 | (579,018) | 379,442 |
| Motor vehicles | 314,587 | (194,540) | 120,047 | 386,115 | (256,190) | 129,925 |
| Office equipment | 215,770 | (109,368) | 106,402 | 320,038 | (182,869) | 137,169 |
| IT equipment | 1,741,496 | (1,128,272) | 613,224 | 1,670,084 | (738,479) | 931,605 |
| Computer software | 563,816 | (177,168) | 386,648 | 106,490 | (69,635) | 36,855 |
| Leasehold improvements | 763,281 | (183,144) | 580,137 | 679,063 | (153,496) | 525,567 |
| Other property, plant and equipment | 1,074,563 | (1,006,379) | 68,184 | 1,109,215 | (758,242) | 350,973 |
| Total | 5,431,538 | (3,414,528) | 2,017,010 | 5,229,465 | (2,737,929) | 2,491,536 |

Reconciliation of property, plant and equipment - 2022

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Closing balance |
|-------------------------------------|------------------|----------------|------------------|-----------|--------------------|------------------|
| Furniture and fixtures | 379,442 | 150,217 | (73,029) | (139,689) | (174,573) | 142,368 |
| Motor vehicles | 129,925 | - | 10,679 | 30,768 | (51,325) | 120,047 |
| Office equipment | 137,169 | 36,237 | (34,580) | 32,912 | (65,336) | 106,402 |
| IT equipment | 931,605 | 528,265 | (5,025) | (231,071) | (610,550) | 613,224 |
| Computer software | 36,855 | 194,916 | 467 | 203,600 | (49,190) | 386,648 |
| Leasehold improvements | 525,567 | 31,155 | (72,700) | 150,228 | (54,113) | 580,137 |
| Other property, plant and equipment | 350,973 | 1,851 | 7,126 | (46,748) | (245,018) | 68,184 |
| | 2,491,536 | 942,641 | (167,062) | - | (1,250,105) | 2,017,010 |

Reconciliation of property, plant and equipment - 2021

| | Opening balance | Additions | Depreciation | Closing balance |
|-------------------------------------|------------------|----------------|------------------|------------------|
| Furniture and fixtures | 459,164 | 46,892 | (126,614) | 379,442 |
| Motor vehicles | 156,405 | 3,515 | (29,995) | 129,925 |
| Office equipment | 162,347 | 17,238 | (42,416) | 137,169 |
| IT equipment | 702,567 | 435,953 | (206,915) | 931,605 |
| Computer software | 48,964 | 530 | (12,639) | 36,855 |
| Leasehold improvements | 381,220 | 220,063 | (75,716) | 525,567 |
| Other property, plant and equipment | 492,250 | 16,811 | (158,088) | 350,973 |
| | 2,402,917 | 741,002 | (652,383) | 2,491,536 |

Property, plant and equipment encumbered as security

Certain motor vehicles are encumbered by an instalment sale agreement (Refer to note 12).

Notes to the Consolidated Financial Statements



3. Goodwill - Group

| | 2022 | | | 2021 | | |
|----------|---------|--------------------------|----------------|---------|--------------------------|----------------|
| | Cost | Accumulated amortisation | Carrying value | Cost | Accumulated amortisation | Carrying value |
| Goodwill | 831,192 | - | 831,192 | 223,622 | - | 223,622 |

Reconciliation of goodwill - 2022

| | Opening balance | Additions through business combinations | Total |
|----------|-----------------|---|---------|
| Goodwill | 223,622 | 607,570 | 831,192 |

Reconciliation of goodwill - 2021

| | Opening balance | Foreign Exchange Difference | Total |
|----------|-----------------|-----------------------------|---------|
| Goodwill | 220,258 | 3,364 | 223,622 |

| Expressed in USD | Company 2022 | Company 2021 | Group 2022 | Group 2021 |
|------------------|-----------------|--------------|------------|------------|
|------------------|-----------------|--------------|------------|------------|

4. Investments in subsidiaries

The carrying amounts of subsidiaries are shown net of impairment losses

| | | | | |
|--------------------------|----|----|---|---|
| Shares at carrying value | 12 | 12 | - | - |
|--------------------------|----|----|---|---|

5. Loans to group companies

Subsidiaries

| | | | | |
|--|---------|---------|---|---|
| Affinity Health (Botswana) (Private) Ltd | 732,968 | 732,968 | - | - |
| | 732,968 | 732,968 | - | - |
| Non-Current assets | 732,968 | 732,968 | - | - |

The loans are interest free and will not be repaid within 12 months

6. Deferred tax

| | | | | |
|---|----------|----------|----------------|---------------|
| Deferred tax liability | - | - | (4,497) | - |
| Deferred tax asset | - | - | - | 43,104 |
| Total deferred tax (liability)/asset | - | - | (4,497) | 43,104 |

The major components of the deferred tax balance are as follows:

Deferred tax liability

Arising as a result of temporary differences on:

| | | | | |
|----------------------|---|---|---------|---|
| Business combination | - | - | (4,497) | - |
|----------------------|---|---|---------|---|

Deferred tax assets

Arising as a result of temporary differences on:

| | | | | |
|---|---|---|---|--------|
| Benefit of previously unrecognised tax loss | - | - | - | 43,104 |
|---|---|---|---|--------|

Reconciliation of deferred tax asset/ (liability)

| | | | | |
|----------------------|---|---|--------|--------|
| At beginning of year | - | - | 43,104 | 54,492 |
|----------------------|---|---|--------|--------|

Recognised in profit or loss:

| | | | | |
|---|---|---|----------|----------|
| Benefit of previously unrecognised tax loss | - | - | (43,104) | (11,388) |
|---|---|---|----------|----------|

Other:

| | | | | |
|------------------------|---|---|---------|---|
| Deferred tax liability | - | - | (4,497) | - |
|------------------------|---|---|---------|---|

| | | | | |
|-----------------------|----------|----------|----------------|---------------|
| At end of year | - | - | (4,497) | 43,104 |
|-----------------------|----------|----------|----------------|---------------|

7. Inventories

| | | | | |
|-------------|---|---|---------|--------|
| Merchandise | - | - | 198,550 | 36,705 |
|-------------|---|---|---------|--------|

8. Trade and other receivables

| | | | | |
|-------------------|---|---|---------|-----------|
| Trade receivables | - | - | 539,169 | 363,819 |
| Other receivables | - | - | 197,706 | 754,503 |
| | - | - | 736,875 | 1,118,322 |

Financial instrument and non-financial instrument components of trade and other receivables

| | | | | |
|-------------------|---|---|---------|-----------|
| At amortised cost | - | - | 736,875 | 1,118,322 |
|-------------------|---|---|---------|-----------|

Exposure to currency risk

The net carrying amounts, in US Dollar, of trade and other receivables, excluding non-financial instruments, are denominated in the following currencies. The amounts have been presented in US Dollar by converting the foreign currency amount at the closing rate at the reporting date.

Notes to the Consolidated Financial Statements



| Expressed in USD | Company 2022 | Company 2021 | Group 2022 | Group 2021 |
|---|--------------|--------------|-------------------|------------------|
| 9. Other financial assets | | | | |
| At fair value | | | | |
| Investments – Kruger Rands | - | - | 1,287,330 | - |
| At amortised cost | | | | |
| Other loans and receivables | - | - | 7,831,452 | - |
| The loans are interest free and will not be repaid within 12 months | | | | |
| At amortised cost | | | | |
| Other loans and receivables | - | - | 1,833,991 | 5,580,553 |
| The loans are interest free and are repayable on demand. | | | | |
| Total other financial assets | - | - | 10,952,773 | 5,580,553 |
| Non-current assets | | | | |
| At fair value | - | - | 1,287,330 | - |
| At amortised cost | - | - | 7,831,452 | - |
| | - | - | 9,118,782 | - |
| Current assets | | | | |
| At amortised cost | - | - | 1,833,991 | 5,580,553 |
| | - | - | 10,952,773 | 5,580,553 |

| | | | | |
|---------------------------------------|---|---|-------------------|------------------|
| 10. Cash and cash equivalents | | | | |
| Cash and cash equivalents consist of: | | | | |
| Cash on hand | - | - | 1,883 | 2,643 |
| Bank balances | - | - | 3,385,463 | 4,301,415 |
| Call accounts | - | - | 18,457,631 | 5,900,371 |
| Bank overdraft | - | - | (1,560) | (251,917) |
| | - | - | 21,843,417 | 9,952,512 |
| Current assets | - | - | 21,844,977 | 10,204,429 |
| Current liabilities | - | - | (1,560) | (251,917) |
| | - | - | 21,843,417 | 9,952,512 |

| | | | | |
|---|---------------|---------------|---------------|---------------|
| 11. Share capital | | | | |
| Authorised | | | | |
| 1000 Class A Voting shares at par value of \$0.001 per share | 1 | 1 | 1 | 1 |
| 49 999 000 Class B Non Voting Shares at par value \$0.001 per share | 49,999 | 49,999 | 49,999 | 49,999 |
| | 50,000 | 50,000 | 50,000 | 50,000 |
| Issued | | | | |
| 200 Class A Voting Shares of \$0.001 per share | | | | |
| 10 000 000 Class B Non Voting Shares of \$0.001 per share | 10,000 | 10,000 | 10,000 | 10,000 |

| Expressed in USD | Company 2022 | Company 2021 | Group 2022 | Group 2021 |
|------------------|--------------|--------------|------------|------------|
|------------------|--------------|--------------|------------|------------|

12. Finance lease liabilities

| | | | | |
|-------------------------|---|---|---|---------------|
| Non-current liabilities | - | - | - | 20,139 |
| Current liabilities | - | - | - | 22,440 |
| | - | - | - | 42,579 |

It is company policy to lease certain motor vehicles and equipment under finance leases.

The average lease term is 5 years and the average effective borrowing rate is 10%.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

There are no restrictions imposed by the leases. The company's obligations under finance leases are secured by the leased assets. Refer to note 2.

13. Trade and other payables

| | | | | |
|--|---|---|------------------|------------------|
| Trade payables | - | - | 58,362 | 567,536 |
| Gaurantee Insurance Business | - | - | 2,331,535 | - |
| Other payables – Amounts held on behalf of policyholders | - | - | 1,584,401 | - |
| Other payables | - | - | 1,203,902 | 516,593 |
| | - | - | 5,178,200 | 1,084,129 |

Financial instrument and non-financial instrument components of trade and other payables

| | | | | |
|-------------------|---|---|------------------|------------------|
| At amortised cost | - | - | 5,178,200 | 1,084,129 |
|-------------------|---|---|------------------|------------------|

Exposure to currency risk

The net carrying amounts, in US Dollar, of trade and other receivables, excluding non-financial instruments, are denominated in the following currencies. The amounts have been presented in US Dollar by converting the foreign currency amount at the closing rate at the reporting date.

14. Other financial liabilities

At fair value through profit/ (loss)

| | | | | |
|-------------------------|---|---|----------------|----------------|
| Other loans | - | - | 722,980 | 722,980 |
| Non-current liabilities | | | | |
| At fair value | - | - | 722,980 | 722,980 |

The loans are unsecured, interest free will not be repaid within 12 months.

15. Insurance Contract Liabilities

| | | | | |
|--------------------------------------|---|---|------------------|------------------|
| Claims Reserves | - | - | 3,329,855 | 2,269,677 |
| Underwriting reserves | - | - | - | 965,906 |
| Minimum Capital Requirements Reserve | - | - | 2,310,333 | 2,588,925 |
| | - | - | 5,640,188 | 5,824,508 |

National Risk Managers (Pty) Ltd is contracted per a Binder Agreement signed with Lion of Africa Life Assurance Company Limited, where funds received to cover expected claims are paid into specific Claims Bank Accounts in the name of National Risk Managers (Pty) Ltd, from which all valid claims in terms of pre-specified benefits are paid.

The value of current and expected unpaid claims as at year end which are held in the Claims Bank Accounts, are calculated by an Actuary in his capacity as a Fellow of the Actuary Society of South Africa. Such expected claims are calculated as set out in National Risk Managers (Pty) Ltd's accounting policy, relating to Insurance Contract Liabilities.

The directors have agreed to continue with the Solvency Assessment and Management Approach in calculating the Minimum Capital Requirements (MCR) as recommended by FSCA for non-life companies, so as to protect policyholders. Reserves held in terms of the MCR are kept in separate call accounts in the name of Affinity Health (Pty) Ltd.

16. Revenue

| | | | | |
|--------------------------------------|---|---|-------------------|-------------------|
| Medical cover and related activities | - | - | 68,801,140 | 31,700,460 |
|--------------------------------------|---|---|-------------------|-------------------|

| Expressed in USD | Company 2022 | Company 2021 | Group 2022 | Group 2021 |
|---|--------------|--------------|------------------|------------------|
| 17. Other operating income | | | | |
| Discount received | - | - | 13,175 | 7,539 |
| Sundry income | - | - | 203,964 | 122,392 |
| | - | - | 217,139 | 129,931 |
| 18. Operating profit | | | | |
| Operating profit for the year is stated after accounting for the following: | | | | |
| Remuneration, other than to employees, for: | | | | |
| Auditors remuneration – Audit fees | - | - | 59,070 | 49,876 |
| Auditors remuneration - Other services | - | - | 58,063 | 30,379 |
| | - | - | 117,133 | 80,255 |
| Operating lease charges | | | | |
| Premises - Contractual amounts | - | - | 1,623,263 | 976,303 |
| Equipment - Contractual amounts | - | - | 21,068 | 8,590 |
| | - | - | 1,644,331 | 984,893 |
| Loss on disposal of property, plant and equipment | - | - | 167,062 | - |
| Loss on foreign exchange | - | - | 103,501 | - |
| Depreciation on property, plant and equipment | - | - | 1,250,105 | 652,383 |
| Employee costs | - | - | 12,405,023 | 7,041,887 |
| Directors remuneration | - | - | 228,532 | 222,916 |
| Directors fees | - | - | 22,116 | 18,953 |
| Impairment of loans | - | - | 1,029,972 | 414,773 |
| 19. Investment revenue | | | | |
| Interest revenue | | | | |
| Bank | - | - | 198,558 | 78,503 |
| Other | - | - | 6,803 | 4,095 |
| | - | - | 205,361 | 82,598 |
| 20. Fair value adjustment | | | | |
| Other financial asset | - | - | 58,793 | - |
| 21. Finance costs | | | | |
| Bank | - | - | 1,252 | 4,316 |
| Other | - | - | 110,052 | 27,983 |
| | - | - | 111,304 | 32,299 |
| 22. Taxation | | | | |
| Major components of the tax expense | | | | |
| Current taxation | | | | |
| Local normal tax – current year | - | - | 5,187,870 | 1,132,906 |
| Under provision – prior year | - | - | 61,450 | 13,173 |
| | - | - | 5,249,320 | 1,146,079 |
| Deferred taxation | | | | |
| Local deferred tax – current year | - | - | 43,917 | 11,388 |
| | - | - | 43,917 | 11,388 |
| | - | - | 5,293,237 | 1,157,467 |

23. Cash generated from operations

| | | | | |
|---|---|---|-------------------|------------------|
| Profit before taxation | - | - | 17,620,273 | 4,219,309 |
| Adjustments for: | | | | |
| Depreciation | - | - | 1,250,105 | 652,383 |
| Loss on disposal of property, plant and equipment | - | - | 167,062 | - |
| Interest received | - | - | (205,361) | (82,598) |
| Finance costs | - | - | 111,304 | 32,299 |
| Fair value adjustments | - | - | (58,793) | - |
| Foreign exchange adjustment | - | - | (758,639) | (162,503) |
| Changes in working capital: | | | | |
| Inventories | - | - | (161,845) | (30,599) |
| Trade and other receivables | - | - | 381,442 | (209,869) |
| Trade and other payables | - | - | 4,094,075 | 2,694 |
| | - | - | 22,439,623 | 4,421,116 |

24. Tax paid

| | | | | |
|---|---|---|--------------------|------------------|
| Balance at beginning of the year | - | - | (214,311) | 347,802 |
| Current tax for the year recognised in loss | - | - | (5,249,320) | (1,145,612) |
| Balance at end of the year | - | - | 1,911,394 | 214,311 |
| | - | - | (3,552,237) | (583,499) |

25. Risk Management

Liquidity Risk

The company's risk to liquidity is a result of the funds available to cover future commitments.

The company manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

Deposit and all attract interest at rates that vary with prime. The company policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on profit/(loss).

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Management evaluated credit risk relating to customers on an ongoing basis.

26. Related Parties

A director of Affinity International Limited, is also a director of certain companies to which loans have been extended which are currently disclosed under Other Financial Assets.



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