



AfroCentric
GROUP

Unaudited Interim Results

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015 AND INTERIM DIVIDEND DECLARATION



19.42% Operating profit



41.91% Sales and service revenue



20% Interim dividend growth



A Member of AfroCentric Group



SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
	Unaudited six months ended 31 December 2015 R'000	Reviewed six months ended 31 December 2014 R'000	Audited year ended 30 June 2015 R'000
ASSETS			
Non-current assets	1 734 561	853 115	991 080
Property and equipment	159 689	96 522	102 639
Investment property	15 000	15 000	15 000
Intangible assets (NOTE 1)	1 417 866	623 314	744 487
Available for sale investment	18 444	–	18 444
Investment in associates	33 039	66 115	14 873
Deferred income tax assets	90 523	52 165	95 637
Current assets	1 234 357	652 489	569 738
Trade and other receivables	348 628	216 770	228 884
Investment in preference share	–	90 000	–
Inventory	79 321	4 610	6 803
Current tax asset	27 916	20 585	–
Cash and cash equivalents	778 492	320 523	334 051
Asset held for sale	27 001	–	24 788
Total assets	2 995 919	1 505 604	1 585 606
EQUITY AND LIABILITIES			
Capital and reserves	1 140 454	1 083 633	1 104 149
Issued ordinary share capital and share premium (NOTE 4)	286 044	543 454	543 454
Share-based payment reserve	23 382	12 886	20 160
Treasury shares	(2 324)	(2 324)	(2 324)
Foreign currency translation reserve	7 370	2 350	2 204
Distributable reserve (NOTE 5)	825 982	527 267	540 655
Non-controlling interest	525 194	45 899	62 930
Total equity	1 665 648	1 129 532	1 167 079
Non-current liabilities	1 031 986	178 476	86 252
Deferred income tax liabilities	163 518	11 024	54 822
Non-current borrowings	–	150 000	–
Non-current provisions	8 350	8 350	8 350
Post-employment medical obligations	3 134	3 440	3 134
Second tranche share issue (NOTE 2)	135 970	–	–
Right of redemption and repurchase (NOTE 3)	703 000	–	–
Accrual for straight lining of leases	18 014	5 662	19 946
Current liabilities	298 285	197 596	332 275
Borrowings	–	–	61 224
Provisions	9 636	8 431	9 211
Trade and other payables	255 762	114 321	146 317
Taxation	–	–	4 418
Employment benefit provisions	32 887	74 844	111 105
Total liabilities	1 330 271	376 072	418 527
Total equity and liabilities	2 995 919	1 505 604	1 585 606

NOTE 1
Amortisation of intangible assets increased by R29.36 million arising through the WAD asset acquisition and the IFM Fraud Detection Platform.

	Amortisation 31 December 2014	Amortisation 31 December 2015	Carrying value 31 December 2015
Intangible assets			
Goodwill – AfroCentric Health	–	–	398 123
Goodwill – WAD	–	–	248 736
Customer relationships – WAD	–	(16 824)	403 784
AfroCentric Health intangible assets	(21 177)	(21 350)	275 202
IFM Fraud Detection Platform	–	(12 542)	92 021
	(21 177)	(50 716)	1 417 866

NOTE 2
26 401 959 shares to the value of R135.9 million will be issued to WAD vendors subject to certain profit thresholds being attained. These shares will be issued during 2017 and the value thereof has already been anticipated by inclusion in Intangible Assets.

NOTE 3
SANLAM acquired an effective 27% interest in AHL through AHA, for R703 million. The acquisition agreement provides for a performance warranty in AHL, any breach of which, entitles SANLAM to claim a maximum additional 4.3% interest in the shares of AHA in satisfaction of such claim. In the event that the claim calculates at an amount in excess of 4.3%, SANLAM has a right to require ACT to repurchase the shares owned by SANLAM at SANLAM's initial cost plus interest at the 90 day deposit rate from the date of investment to the date of redemption. The Board do not expect such conditions to arise, but International Accounting Standards (IAS 32) dictates the disclosure of such circumstances under Non-current liabilities, rather than Capital and reserves.

NOTE 4
The reduction in issued ordinary share capital and share premium, while inclusive of the shares issued in connection with the acquisition of the WAD assets, is reduced by the sum of R703 million relating to the IAS 32 disclosure requirements set out in NOTE 3 above.

NOTE 5
Distributable reserves increased by the extent of the period profits including the amount of the profit on sale of the AHA shares to SANLAM.

SEGMENTAL ANALYSIS								
	Unaudited six months ended 31 December 2015			Reviewed six months ended 31 December 2014			Audited year ended 30 June 2015	
	Revenue R'000	Profit before tax R'000	Total assets R'000	Revenue R'000	Profit before tax R'000	Total assets R'000	Revenue R'000	Total assets R'000
Healthcare SA	968 743	110 414	3 342 946	942 060	82 012	1 876 914	1 913 529	2 013 236
Healthcare Africa	87 877	32 710	135 607	77 166	25 724	102 690	157 818	126 357
Healthcare Retail	355 515	13 582	236 146	–	–	–	–	–
Total Healthcare	1 412 135	156 706	3 714 699	1 019 226	107 736	1 979 604	2 071 347	2 139 593
Information technology	242 244	14 178	256 119	188 869	20 165	198 088	401 454	33 663
Other (including inter-segment elimination)	(212 312)	(20 204)	(974 899)	(191 925)	6 034	(672 088)	(374 489)	(1 019 022)
	1 442 067	150 680	2 995 919	1 016 170	133 935	1 505 604	2 098 312	1 585 606

Directors
ATM Mokgokong** (*Chairman*), AV Van Buuren*** (*CEO*), JW Boonzaaier*** (*CFO*), JG Appelgryn**, NB Bam*, A Banderker**, WH Britz***, D Dempers***, LL Dhlamini*, JM Kahn*, IM Kirk**, MJM Madungandaba**, Y Masiithela*, ND Munisi**, GL Napier*, MI Sacks*
*independent non-executive **non-executive ***executive

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
	% change	Unaudited six months ended 31 December 2015 R'000	Reviewed six months ended 31 December 2014 R'000
Sales and service revenue	41.91	1 442 067	1 016 170
Cost of sales and operating costs		(1 233 505)	(841 520)
Operating profit	19.42	208 562	174 650
Impairment of assets		–	(10 577)
Net finance income		7 999	9 507
Fair value gain on investment		3 231	–
Share of associate profits		2 469	1 642
Share-based payment expense		(3 222)	(2 120)
Profit before depreciation and amortisation	26.54	219 039	173 102
Depreciation		(17 643)	(17 990)
Amortisation of intangible assets (NOTE 1)		(50 716)	(21 177)
Profit before income tax	12.50	150 680	133 935
Income tax expense		(41 121)	(36 862)
Profit for the period		109 559	97 073
Other comprehensive income		5 166	1 013
Total comprehensive income for the period	16.96	114 725	98 086
Attributable to:			
Equity holders of the Parent		99 194	94 758
Non-controlling interest		15 531	3 328
		114 725	98 086

EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS			
	% change	Unaudited six months ended 31 December 2015 R'000	Reviewed six months ended 31 December 2014 R'000
Number of ordinary shares in issue	18.49	554 377 328	467 855 101
Weighted average number of ordinary shares	17.89	551 555 951	467 855 101
Weighted average number of shares for diluted EPS (includes second tranche share issue)		577 957 910	467 855 101
Basic earnings		99 194	94 758
Adjusted by:		612	7 412
– Reversal of impairment		–	10 577
– Loss on disposal of assets		928	108
Total tax effects of adjustments		(260)	(3 273)
Total NCI effects of adjustments		(56)	–
Headline earnings		99 806	102 170
Earnings per share (cents)			
– Attributable to ordinary shares (cents)		17.98	20.25
– Diluted earnings per share (cents)		17.16	20.25
Headline earnings per share (cents)			
– Attributable to ordinary shares (cents)		18.10	21.84
– Diluted earnings per share (cents)		17.27	21.84

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS			
	% change	Unaudited six months ended 31 December 2015 R'000	Reviewed six months ended 31 December 2014 R'000
Cash generated from operations		23 670	125 475
Net finance income		7 999	9 507
Distribution to shareholders		(64 969)	(84 214)
Tax and other payments		(69 893)	(56 941)
Net cash (outflow)/inflow from operating activities		(103 193)	(6 173)
Net cash outflow from investing activities		(99 308)	(55 943)
Net cash inflow/(outflow) from financing activities		641 776	(7 823)
Effect of foreign exchange benefit		5 166	1 013
Net increase in cash and cash equivalents		444 441	(68 926)
Cash and cash equivalents at beginning of the period		334 051	389 449
Cash and cash equivalents at end of the period	142.88	778 492	320 523

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY			
	Unaudited six months ended 31 December 2015 R'000	Reviewed six months ended 31 December 2014 R'000	
Balance at beginning of the period	1 167 079	1 123 602	
Issue of share capital (IFRS 3 measurement)	445 589	–	
Share-based awards reserve	3 222	2 120	
Distribution to shareholders	(55 438)	(84 214)	
Net profit for the period	99 194	94 758	
Profit attributable to minorities	15 531	3 328	
Profit on sale of shares (AHA)	246 738	–	
NAV attributable to SANLAM (AHA)	456 262	–	
Right of redemption and repurchase	(703 000)	–	
Distribution to minorities	(9 529)	(10 063)	
Balance at end of the period	1 665 648	1 129 531	

COMMENTARY

INTRODUCTION

The Board is pleased to present the Group's interim results for the six months ended 31 December 2015. The period under review was characterised by the implementation of a number of activities within the Group operations, permitting the finalisation of certain meaningful and determining corporate actions. These included *inter alia*, the accommodation, alignment and integration of the sizeable WAD Holdings (Pty) Ltd ("WAD") asset acquisitions, in particular, Pharmacy Direct, the closing and pivotal admission of SANLAM Limited ("SANLAM") into the Group, the costly, but feasible acquisition and roll out of the IFM Fraud Detection Platform and not least, the immense task and expenditure incurred in preparation for the South African Police Service Medical Scheme ("POLMED") administration contract, which went live and became income generative with effect from 1 January 2016. While each of these investment and operational events are expected to be complementary and impact positively on the Group's principal business, the increased costs of investment incurred for improved system and IT capacity, including the cost of additional staff, accommodation and amortisation in the subject period, makes it difficult to measure performance against that reported in the prior comparable period.

ACCOUNTING POLICIES AND BASIS OF PREPARATION

The summarised consolidated financial statements for the six months ended 31 December 2015 are prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Limited Listings Requirements, and the South African Companies Act 71 of 2008. The summarised consolidated financial statements are prepared on the historical cost basis and the accounting policies are consistent with those adopted and applied for the year ended 30 June 2015 in terms of IFRS.

NATURE OF BUSINESS

AfroCentric is a black-controlled investment holding company, its investment portfolio primarily focused on services to the healthcare sector. AfroCentric appears on the healthcare list of companies on the exchange operated by the JSE Limited, under the code ACT. The more significant Group assets include WAD assets, the businesses of which, specialise in pharmaceutical wholesaling and pharmaceutical courier distribution services. The Group, *inter alia*, has a material controlling interest in Medscheme through its interest in ACT Healthcare Assets (Pty) Ltd ("AHA"). Medscheme is a multi-medical scheme administrator and health risk solution provider. The Group also has a meaningful presence in various African countries, as well as Mauritius.

RECENT DEVELOPMENTS

Reference has already been made about the WAD and SANLAM corporate actions, including the appointment of Medscheme as the administrator of POLMED. These enterprises, associates and new clients are expected to add significant value to our South African businesses, providing *inter alia*, user friendly medical scheme features and solutions by delivering a more integrated offering, an example of which, is the commencing SANLAM "Reality" loyalty programme to members of Bonitas and Fedhealth. The POLMED medical scheme is Medscheme's third largest client with approximately 175 000 members.

FINANCIAL PERFORMANCE

Profits before taxation increased by 12.5% for the period under review amounting to R150.7 million (2014: R133.9 million). Apart from the early unmatched cost to income deficiency in preparation for the contractual services to POLMED, a significant increase in amortisation was provided for the first time against the intangible asset value arising on the WAD assets acquisition and the IFM Fraud Detection Platform. Given the number of shares issued to WAD vendors for this acquisition, diluted headline earnings per share for the period under review declined by 20.92%. While forecasts of WAD stand-alone earnings are likely to be marginally accretive, it is expected that the intended synergetic co-operation within the Group, will more meaningfully contribute to Group earnings going forward.

OTHER HIGHLIGHTS

Below are some of the other notable achievements for the AfroCentric Group:

- Swazimed administered by Medscheme in Swaziland has, for the second consecutive year, won the PMR Diamond Arrow Award in the Best Medical Aid in the country category.
- The Group has made great strides in the technology space such as the Electronic Health Patient Record which will be implemented during 2016.
- The Group received the sum of R703 million, being the proceeds of the sale to SANLAM of an effective 27% in AfroCentric Health Limited ("AHL").
- The implementation of the IFM Fraud Detection Platform to our medical aid schemes to enhance the detection of fraudulent claims.
- The achievement of a level two BEE accreditation based on the new BBBEE codes.
- The Group is completely debt free with significant cash resources to finance future growth, potential mergers and acquisitions.
- An initiative has commenced to acquire all the shares in AHL, not already owned by AHA, from the minority shareholders in AHL. A circular has been prepared and every indication exists that the process will be successfully completed by the financial year-end.

PROSPECTS

Given all of the events and corporate actions that have occurred during the period under review, the Group has positively positioned itself for future growth and further development. It has taken some years to reach this point of Group sustainability and absent some unforeseen circumstances, it is expected that the Group will continue to make progress in all of its enterprises. The relationship with SANLAM holds some exciting prospects for expansion, not only in South Africa but in destinations on the continent of Africa, where SANLAM already has a presence. Notwithstanding the above, stakeholders will be acutely aware of the economic challenges which lie ahead. Recent increases in interest rates, consequential inflation and the volatile Rand exchange rates have all had an effect on the South African economy and will likely impact disposable income and business confidence. Our talented management team will nevertheless continue to diligently manage the Group's expanded and growing operating portfolio, at the same time seeking to optimise the returns and opportunities that present themselves for review and consideration.

DIRECTORS AND OFFICERS

Since the last published set of Group results there were five new appointments on the Board of Directors:

- Mr Antoine Van Buuren – Group Chief Executive Officer (effective 16 March 2016).
- Ms Lindani Dhlamini – Independent Non-executive Director.
- Dr Nkateko Munisi – Non-executive Director (representing Golden Pond).
- Mr Ian Kirk – Non-executive Director (representing SANLAM).
- Mr Ahmed Banderker – Non-executive Director (representing SANLAM).

During the period, Mr Dewald Dempers stepped down as Group CEO and the position was temporarily filled by the Non-Executive Chairman, Dr Anna Mokgokong. Mr Dempers will however continue to act as an Executive Director on the Board.

INTERIM DIVIDEND

Given the strong cash position and performance of the Group, the Board of directors has pleasure in announcing that the Company's interim dividend of 12 cents per ordinary share (gross) has been declared for the six months ended 31 December 2015. Dividends are subject to Dividends Withholding Tax. The payment date for the dividend is Monday, 16 May 2016. This interim dividend will constitute part of the Group's annual dividend, to be considered with the results for the 30 June 2016 year-end.

- Dividends have been declared out of profits available for distribution.
- Local Dividends Withholding Tax rate is 15%.
- Gross dividend amount is 12 cents per ordinary share.
- Net cash dividend amount is therefore 10.2 cents per ordinary share.
- Company has 554 377 328 ordinary shares in issue as at the declaration date.
- Company's income tax reference number is 9600/148/71/3.

The salient dates relating to the dividend are as follows:

Last day to trade <i>cum</i> dividend	Friday, 6 May 2016
Shares commence trading ex-dividend	Monday, 9 May 2016
Dividend record date	Friday, 13 May 2016
Dividend payment date	Monday, 16 May 2016

Share certificates for ordinary shares may not be dematerialised or rematerialised between Monday, 9 May 2016 and Friday, 13 May 2016, both days inclusive.

BASIS OF PREPARATION

The unaudited interim results have been prepared under the supervision of Mr JW Boonzaaier CA(SA), in his capacity as the Group Chief Financial Officer.

On behalf of the Board

Dr ATM Mokgokong

Chairman

Johannesburg

16 March 2016

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Registration number 1988/000570/06
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