

















## Unaudited Interim Results and Dividend Declaration

### FOR THE SIX MONTHS ENDED 31 DECEMBER 2017





# 14.29% Dividends 19.00% Headline EPS 12.59% Total revenue 13.10% Profit before tax





SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION							
ited Unaudited  this six months ded ended iber 31 December 017 2016 000 R'000	Audited year ended 30 June 2017 R'000						
<b>169</b> 2 121 295	1 927 272						
<b>396</b> 176 690	179 731						
<b>451</b> 31 933	31 973						
<b>418</b> 15 000	15 418						
<b>435</b> 1 440 173	1 463 746						
<b>444</b> 18 444	18 444						
<b>558</b> 41 608	36 296						
<b>517</b> 278 851	59 976						
<b>385</b> 29 374	38 823						
<b>565</b> 89 222	82 865						
<b>245</b> 867 714	1 141 608						
<b>257</b> 361 100	320 236						
<b>830</b> 77 465	73 376						
<b>130</b> 30 792	25 235						
<b>981</b> 12 637	13 388						
972 –	347 635						
<b>075</b> 385 720	361 738						
<b>414</b> 2 989 009	3 068 880						
<b>232</b> 1 081 596	1 793 694						
<b>686</b> 18 686	18 686						
<b>932</b> 970 358	999 058						
<b>375</b> 28 700	-						
<b>324)</b> (2 324)	(2 324)						
- (750 913)	-						
<b>510)</b> 4 020	3 454						
<b>073</b> 813 069	774 820						
<b>026</b> 549 504	585 359						
<b>258</b> 1 631 100	2 379 053						
<b>963</b> 1 004 497	135 778						
947 90 394	100 627						
<b>350</b> 8 350	8 350						
<b>771</b> 2 691	2 771						
- 134 893	-						
<b>-</b> 750 913	-						
364 –	5 051						
<b>531</b> 17 256	18 979						
<b>193</b> 353 412	554 049						
<b>705</b> 11 406	8 947						
850 –	-						
	194 475						
<b>941</b> 288 076	264 394						
<b>697</b> 53 930	86 233						
<b>156</b> 1 357 909	689 827						
<b>414</b> 2 989 009	3 068 880						

The increased value of Land and Buildings reflects the cost of a new warehouse acquired in December 2017 to

NOTE 2	Carrying value 2017	Amortisation 2017	Amortisation 2016	
Intangible assets	R'000	R'000	R'000	
Goodwill - AfroCentric Health	400 208	-	-	
Goodwill - WAD acquisition	473 954	-	-	
Customer relationships - WAD acquisition	72 333	(4 474)	(4 474)	
AfroCentric Health intangible assets	624 940	(37 193)	(37 661)	
AfroCentric Health Intangible PPA	37 620	(2 598)	(2 916)	
Afrocentric Health intangible Software	510 577	(24 024)	(24 298)	
Insurance Fraud Manager (Fraud Management				
Software)	76 743	(10 571)	(10 447)	
	1 571 435	(41 667)	(42 135)	

NOTE 3 Given the fulfilment of the Sanlam profit warranty, the conditional put option reserve was written back to capital and reserves.

### NOTE 4

The second tranche payment was calculated in terms of the contract formula for the WAD Asset acquisitions and settled in cash during September 2017.

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY								
	Unaudited six months ended 31 December 2017 R'000	Unaudited six months ended 31 December 2016 R'000	Audited year ended 30 June 2017 R'000					
Balance at beginning of the period	2 379 053	1 563 582	1 563 582					
Share-based awards reserve	375	2 096	2 096					
Distributions to shareholders	(77 613)	(66 525)	(144 138)					
Net profit for the period	115 902	98 046	113 891					
Transferred to conditional put option reserve	-	22 953	45 906					
Conditional put option reserve accruals	-	(22 953)	(45 906)					
Profit attributable to minorities	57 362	52 166	102 372					
Sanlam second tranche contribution	55 874	-	-					
Conditional put option obligation reversal (NOTE 3)	_	_	773 866					
Conditional put option obligation 2016 balance	-	_	727 960					
Conditional put option finance obligation accrual	_	_	45 906					
Minority interest in subsidiary	(367)	_	-					
Distributions to subsidiary minorities	(3 328)	(18 265)	(32 616)					
Balance at end of the period	2 527 258	1 631 100	2 379 053					

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME							
S chang		Unaudited six months ended 31 December 2016 R'000	Audited year ended 30 June 2017 R'000				
Healthcare services revenue	1 441 561	1 300 155	2 715 266				
Healthcare services operating costs	(1 198 253)	(1 069 204)	(2 219 292)				
Healthcare services operating profit 5.3	243 308	230 951	495 974				
Healthcare retail revenue	596 239	509 778	1 069 435				
Healthcare retail cost of sales	(442 928)	(409 909)	(836 734)				
Healthcare retail gross profit 53.5	153 311	99 869	232 701				
Healthcare retail operating costs	(112 970)	(72 070)	(164 566)				
Total healthcare operating profit 9.6	283 649	258 750	564 109				
Impairment of assets	-	2 895	(19 851)				
Net finance and investment income	20 882	13 150	16 106				
- Finance and investment income	31 284	31 704	50 380				
- Fair value gain/(loss) in Listed Investments (NOTE 5)	(9 738)	4 426	12 393				
<ul> <li>Finance cost: Conditional put option (NOTE 3)</li> </ul>	-	(22 953)	(45 906)				
- Finance cost	(664)	(27)	(761)				
Share-based payment expense	(375)	(2 096)	(2 096)				
Fair value of second tranche consideration (NOTE	- (1	_	(59 582)				
Indemnity expense	-	_	(14 787)				
Share of associate profits	11 772	9 907	14 306				
Profit before depreciation and amortisation 11.7	315 928	282 606	498 205				
Depreciation	(25 635)	(20 652)	(45 098)				
Amortisation of intangible assets (NOTE 2)	(41 667)	(42 135)	(86 450)				
Profit before income taxation 13.1	248 626	219 819	366 657				
Taxation expense	(71 398)	(66 600)	(146 616)				
Profit for the period after taxation 15.6	<b>177 228</b>	153 219	220 041				
Other comprehensive (loss)/income	(3 964)	(3 007)	(3 778)				
Comprehensive net income for the period	173 264	150 212	216 263				
Attributable to:							
Equity holders of the Parent	115 902	98 046	113 891				
Non-controlling interest	57 362	52 166	102 372				
	173 264	150 212	216 263				

This represents a decline in the share price of the listed investment.

		Unaudited	Unaudited	d		
	% change	six months ended 31 December 2017 R'000	six months ended 31 December 2016 R'000	Audited year ended 30 June 2017 R'000		
Number of ordinary shares in issue		554 377 328	554 377 328	554 377 328		
Weighted average number of ordinary shares		554 377 328	554 377 328	554 377 328		
Weighted average number of shares for diluted EPS		554 377 328	580 570 230	554 377 328		
Basic earnings		119 866	101 053	117 669		
Adjusted by:		242	(111)	6 169		
- Reversal of impairment		-	-	16 640		
- Reversal of fair value gains		-	-	(418)		
Loss on disposal of assets		471	(216)	681		
otal tax adjustments		(132)	60	(97)		
tal non-controlling interest adjustments		(97)	45	(10 637)		
Headline earnings		120 108	100 942	123 838		
Earnings per share (cents)						
- Attributable to ordinary shares (cents)	18.60	21.62	18.23	21.23		
- Diluted earnings per share (cents)	24.18	21.62	17.41	21.23		
Headline earnings per share (cents)						
- Attributable to ordinary shares (cents)	19.00	21.67	18.21	22.34		
- Diluted earnings per share (cents)	24.61	21.67	17.39	22.34		

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS						
	Unaudited six months ended 31 December 2017 R'000	Unaudited six months ended 31 December 2016 R'000	Audited year ended 30 June 2017 R'000			
Cash generated from operations	177 496	105 249	450 887			
Net finance income	19 059	20 918	38 860			
Distribution to shareholders	(80 941)	(84 791)	(176 754)			
Dividends received	5 189	5 010	5 010			
Tax and other payments	(64 392)	(55 063)	(112 815)			
Net cash inflow/(outflow) from operating activities	56 411	(8 677)	205 188			
Net cash (outflow)/inflow from investing activities	(155 960)	13 640	(212 945)			
Net cash inflow from financing activities	23 850	10 696	_			
Effect of foreign exchange benefit	(3 964)	(3 007)	(3 573)			
Net (decrease)/increase in cash and cash equivalents	(79 663)	12 652	(11 330)			
Cash and cash equivalents at beginning of the period	361 738	373 068	373 068			
Cash and cash equivalents at end of the period (NOTE 6)	282 075	385 720	361 738			
NOTE 6 TOTAL GROUP CASH RESOURCES	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016	Audited year ended 30 June 2017			
Cash and cash equivalents	282 075	385 720	361 738			
Managed funds and deposits (current)	105 972	-	347 635			
Managed funds and deposits (non current)	62 517	278 851	59 976			
Total cash resources	450 564	664 571	769 349			

	Unaudited six months ended 31 December 2017		Unaudited six months ended 31 December 2016			Audited year ended 30 June 2017			
	Revenue	Profit before tax	Total assets	Revenue	Profit before tax	Total assets	Revenue	Profit before tax	Total assets
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Healthcare SA	1 339 982	126 353*	3 242 956	1 134 075	141 231*	3 508 397	2 378 130	209 843	3 435 646
Healthcare Africa	94 117	24 586	136 925	76 382	18 025	92 695	184 443	46 636	112 401
Healthcare Retail	596 239	44 625	395 106	509 778	32 502	305 149	1 069 435	67 990	353 504
Total Healthcare	2 030 338	195 564	3 774 987	1 720 235	191 758	3 906 241	3 632 008	324 469	3 901 551
Information technology	288 533	56 061*	478 646	269 686	33 849*	333 855	561 021	89 922	420 138
Other (including inter-segment elimination)	(281 071)	(2 999)	(1 241 219)	(179 988)	(5 788)	(1 251 087)	(408 328)	(47 734)	(1 252 809)
	2 037 800	248 626	3 012 414	1 809 933	219 819	2 989 009	3 784 701	366 657	3 068 880

## COMMENTARY

#### INTRODUCTION AND REVIEW

The Board is pleased to present comments on AfroCentric's ("ACT") summary interim results for the six months ended 31 December 2017. The period under review has been characterised by the consolidation and rationalization of several  $processes \ within \ Group \ enterprises, \ all \ having \ contributed \ positively \ to \ the \ Group's \ growing \ operations \ and \ earnings. \ In \ processes \ within \ Group's \ growing \ operations \ and \ earnings.$ addition, the Group continued to invest in system development and increased IT capacity, early benefits already having arisen through further client consolidation in this period, such consolidation and improved income, expected to continue to impact the full year results, including results for financial year 2019 and beyond.

Apart from ACT's principal subsidiary Medscheme providing healthcare administration and managed care services to the membership of a growing number of prominent institutional clients, (having memberships in excess of 3.7 million lives), the Group's further range of health related subsidiary enterprises has similarly continued to make good progress during the period, as will be evident in the financial results set out herein.

### ACCOUNTING POLICIES AND BASIS OF PREPARATION

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements.

The Listings Requirements require summary financial statements to be prepared in accordance with the framework  $concepts \ and \ the \ measurement \ and \ recognition \ requirements \ of \ International \ Financial \ Reporting \ Standards \ (IFRS) \ and \ recognition \ requirements \ of \ International \ Financial \ Reporting \ Standards \ (IFRS) \ and \ recognition \ requirements \ of \ International \ Financial \ Reporting \ Standards \ (IFRS) \ and \ recognition \ requirements \ of \ International \ Financial \ Reporting \ Standards \ (IFRS) \ and \ recognition \ requirements \ of \ International \ Financial \ Reporting \ Standards \ (IFRS) \ and \ recognition \ requirements \ of \ International \ Financial \ Reporting \ Standards \ (IFRS) \ and \ recognition \ requirements \ of \ International \ Financial \ Reporting \ Standards \ (IFRS) \ and \ recognition \ requirements \ of \ International \ Financial \ Reporting \ Standards \ (IFRS) \ and \ recognition \ requirements \ of \ International \ Financial \ Reporting \ Financial \ Fin$ the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of these summarized interim financial statements are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

#### **NATURE OF BUSINESS**

AfroCentric is a JSE listed investment holding company which operates in and provides specialised services to the public and private healthcare sectors. AfroCentric continues to maintain its deliberate objective of being the leading exemplai of transformation and empowerment in the South African healthcare sector.

AfroCentric's operating enterprises also provide a range of complementary services, which include, inter alia, information technology ("IT") solutions; fraud detection, transactional switching; specialised disease management; pharmaceutica wholesaling and courier distribution services.

### INDUSTRY HIGHLIGHTS

- AfroCentric proudly advise that during the period under review:
- AfroCentric Health (Pty) Ltd, a core operating subsidiary within the Group, achieved a level 2 B-BBEE status for
- Medscheme Holdings (Pty) Ltd was awarded the "Service Excellence Health Administrator Award", at the 2017 BHF Titanium Awards ceremony
- · AfroCentric was awarded the "Diversity in the Workplace Award" at the 15th Annual National Business Awards

Profit before tax increased by 13.10% for the period under review amounting to R248.6 million (2016: R219.8 million).

### FINANCIAL PERFORMANCE

Profit after tax (PAT) increased by 15.67%, a satisfying and positive result delivered through great effort and efficient management control. Earnings per share (EPS) increased in this period by 18.60% and headline earnings per share (HEPS), increased by 19.00%, substantially through consistent growth in almost all divisions and sound cost manag **DEVELOPMENTS** 

AfroCentric has for some time been focused on opportunities which will serve to create a platform, designed to establish

ceremony.

a value chain of healthcare services, to optimize the purchasing power of every healthcare Rand through models of integration, mergers, partnerships and economic incentives devised to improve the effectiveness of patient care and viable treatment outcomes, within the broader healthcare delivery system. Several such proposals are already in place, several are in the pipeline and discussions on these initiatives are in progress, both for the public and private healthcare During the period under review and prior to publishing these results, the following projects are in progress or have been

· Assisted and facilitated the successful consolidation of approximately 5 600 Community Medical Scheme members

- (COMMED) into Bonitas Medical Scheme. Secured the Hosmed Administration contract for Medscheme of approximately 24,000 members, a contract for
- providing Administration services for a significant number of members of the South African Local Government Association (SALGA).
- · Acquired 100% of the shares in Wellness Odyssey, a wellness company providing wellness days, health awareness and clinical guidance to medical schemes, including the broader corporate market, this effective from 1 July 2017. Acquired 80% of the shares in Scriptpharm Risk Management, a business which manages chronic script claims, this
- effective from 1 August 2017 Acquisition of 51% of the shares in Essential Group, which provides healthcare insurance, effective 1 March 2018

The government has progressed towards the next phase in the implementation of the NHI. We welcome and support the proposed introduction of an NHI fund during 2017/2018. The Group is well positioned to support the NHI project through delivery of universal quality and affordable healthcare to a broader market. AfroCentric's Insurance Fraud Manager ("IFM") provides comprehensive analytics which enable client schemes to identify

and assess fraud and abuse related to medical claims. It is common cause that fraud, both by members and practitioners

have over the years, become a material source of concern for all Medical Schemes. The identification and recovery of fraudulent or improper claims has been a great developmental success within our client portfolio and fraudulent claims amounting to in excess of R300 million have been detected, with a large percentage having already been recouped or are in the process of recovery. Pharmacy Direct, our distribution subsidiary of pharmaceuticals, continues to make impressive progress. Pharmacy Direct now procures, dispenses and distributes chronic medication to public and private sector patients in seven provinces of

South Africa, presently dispensing and distributing in excess of 500 000 pharmaceutical scripts per month. Given the positive growth and the divisions expanding market, a new warehouse was acquired in December 2017 to accommodate  $Having \ regard \ to \ confirmation \ during \ this \ reporting \ period, \ that \ the \ A fro Centric/Sanlam \ profit \ warranty \ was \ comfortably$ 

fulfilled, the Board is pleased to report that both Sanlam and AfroCentric management are diligently working towards the finalisation of a range of healthcare products and lifestyle solutions to be jointly introduced into the market, this initiative, substantially being the very purpose of Sanlam's interest in AfroCentric in the first place. The roll out is expected to occur towards year end and we are confident that this associate relationship could well evolve into a meaningful source of income and profit.

### **PROSPECTS**

AfroCentric has once again delivered a solid operating result, particularly during an interim period laced with challenging politics and economic uncertainty. It was a period characterised by a lack of economic growth and declining consumer disposable incomes. Notwithstanding the above, the benefits of the Group's maintained programme of expansion, including the general and sustained quality of earnings from within the underlying businesses, all contributed to the more than satisfactory financial outcome of the Group during this period under review

The Group's financial position remains sound, cash generation is strong and it retains adequate headroom to accommodate expansion opportunities. At corporate and operational level, management is assessing and implementing plans for real growth and pursuing selective local and international opportunities to complement the existing product and service offering.

### **DIRECTORS**

There were no changes to the Board during the period under review.

## DIVIDENDS

The Board has pleasure in announcing that an interim dividend of 16 cents per ordinary share (gross) has been declared for the six months ended 31 December 2017. Dividends are subject to Dividends Withholding Tax. The payment date for the dividend is Monday, 14 May 2018. This interim dividend will constitute part of the Group's annual dividend, to be considered in due course with the results for the year ending on 30 June 2018.

- · Dividends have been declared out of profits available for distribution. · Local Dividends Withholding Tax rate is 20%.
- Gross dividend amount is 16 cents per ordinary share.
- · Net cash dividend amount is therefore 12.8 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 cum dividend Tuesday, 8 May 2018 Wednesday, 9 May 2018 Shares commence trading ex-dividend Friday, 11 May 2018 Dividend record date Dividend payment date Monday, 14 May 2018

Share certificates for ordinary shares may not be dematerialised or rematerialised between Wednesday, 9 May 2018 and Friday, 11 May 2018, both days inclusive.

### **BASIS OF PREPARATION**

The unaudited unreviewed interim results have been prepared under the supervision of Mr JW Boonzaaier CA(SA), in his capacity as the Group Chief Financial Officer. This announcement does not include the information required pursuant to paragraph 16A(j) of IAS 34. This is however available on our website (http://www.afrocentric.za.com/inv-reporting.php), or at our offices upon request.



Dr ATM Mokgokong Chairperson

Johannesburg 19 March 2018



<sup>\*</sup> The change in profit before tax is as a result of a modification in the IT fee structure between the wholly owned subsidiaries, Medscheme and Helios,