

UNAUDITED INTERIM  
RESULTS, DIVIDEND  
DECLARATION  
AND CHANGE IN  
THE ROLE OF  
A DIRECTOR

for the six months ended  
31 December

”  
21

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# FINANCIAL HIGHLIGHTS

**R535 million**

EBITDA

**↑ 10.0%**

Group revenue



**↑ 4.6%**

Group operating profit



**↑ 5.6%**

Basic Earnings



**↑ 3.4%**

Headline earnings

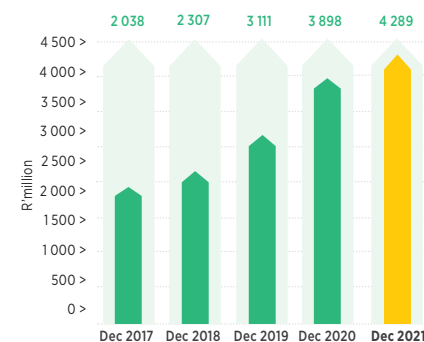


**Level 1**

B-BBEE rating

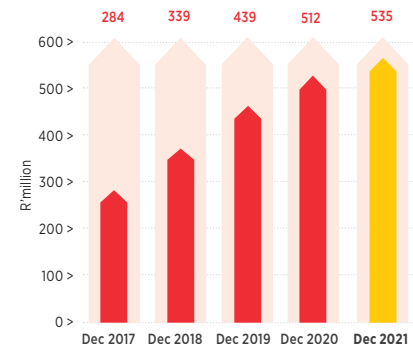
## Total revenue

**CAGR: 20.4%**



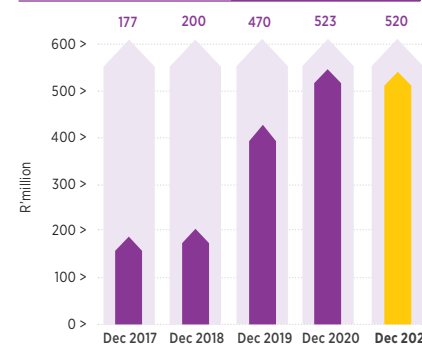
## Operating profit

**CAGR: 17.2%**



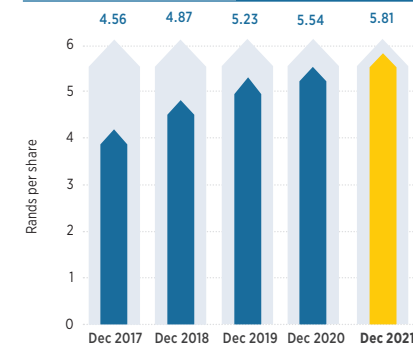
## Cash generated from operations

**CAGR: 30.9%**



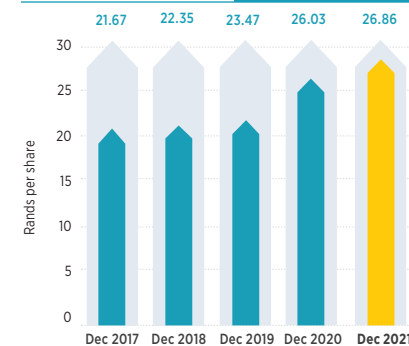
## NAV per share

**CAGR: 6.3%**



## Headline earnings per share

**CAGR: 5.5%**



## COMMENTARY

### Introduction and review

AfroCentric is a Level 1 majority black-owned JSE listed investment holding company, which owns and operates a diverse range of healthcare-related enterprises that provide specialised medical scheme administration and deliver a range of healthcare products and services to the public and private healthcare sectors. The principal objective of the Group, is to ensure the delivery of efficient health management services and the distribution of quality products – all at a manageable and affordable cost for the benefit of our stakeholders. AfroCentric has successfully broadened its interests in the industry by continuing to pursue new opportunities to expand and rationalise its presence across the healthcare sector.

The Board takes pleasure in presenting commentary on AfroCentric's ("ACT") operating performance for the six months ended 31 December 2021. These results are a demonstration of the Group's resolve to continue to achieve operational excellence through the challenges of the COVID-19 pandemic. Despite the current circumstances, the Group has continued to make progress towards its strategic plans for growth and expansion.

In line with the Group's driving ambition, AfroCentric worked closely with the government, and utilised its infrastructure to distribute the procured vaccines – 210 503 vaccines were administered in some of the major cities in South Africa. The overall performance of the Group was impacted by the vaccination distribution programme it undertook, as approximately R25 million was invested in this project.

### Cluster review

#### Services Cluster

The Services Cluster, substantially comprising of the medical scheme administration business has remained focused on cost reduction through increased efficiency and an enhanced operating model. Despite the reduction in the medical scheme membership base and/or members downgrading their medical aid options due to significant economic pressure in the current environment, the cluster increased its operating profit by 3.9%. This performance can largely be attributed to our stable and consistent fee structures, as well as new measures to enhance operational excellence and more effective cost controls.

We continued to harness our Group-wide strengths through our integrated architecture, resulting in creative solutions that satisfy vital demands while enhancing healthcare savings. SmartCare is one such new solution, aiming to deliver a full managed care concept to lower members' health risks, detect risk timeously, and cover the cost of care in an efficient way. In addition, the programme's goal is to establish a supporting structure to deliver a comprehensive care plan and improve members' quality of life.

## COMMENTARY continued

The acquisition of Dental Information Systems ("DENIS") in the prior year, has enabled us to focus specifically on cost-effective treatment and innovation in the dental treatment offerings to medical scheme members. In DENIS, we have gained a partner to fast-track our strategic business objectives and expand our expertise.

We are leveraging on the lessons learnt during the COVID-19 pandemic to create more efficient and affordable digital modes of care. From an administration perspective, our focus is on customer service models that are excellent and equally leverage the accelerated digital transformation. To reduce the cost of care, we will maintain our focus on supporting members' health, with a greater emphasis on lifestyle risk management and mental wellbeing.

### Participation in National COVID Vaccination Project

As part of our continued focus to improve South African's access to quality healthcare, the Group made a conscious effort to invest in the Covid vaccination program.

This project had a big societal impact as many AfroCentric member schemes and non medical aid members received a safe and caring service during challenging times.

### Pharmaceutical Cluster (Healthcare Retail)

The Retail Cluster has had a challenging six months. The level of uncertainty that accompanied the COVID-19 pandemic and its resultant impact on the economy required the Pharma Cluster to remain agile and adaptable to constant changes in the market and consumer spending patterns. We did this by growing the customer base, adjusting to changes to market demand and implementing efficiencies to drive down the cost of doing business.

The Cluster has started to see a decline in member adherence to chronic medication compliance, and a desire for preventative products (like vitamins) has started to revert back to pre-covid levels. In addition to this decline, specific product categories have suffered due to COVID-19, for example, the demand for medicine related to elective surgeries also declined.

Despite the challenges experienced in the six months, the pharma cluster has increased its operating profit by 9.7%. This performance can largely be attributed through the investment in efficiencies through partial automation within our Pharmacy Direct facility, and the launch of an online shop, easily accessible by all patients and the public.

Effective 1 August 2021, Activo Health concluded its acquisition of Forrester Pharma. Through this acquisition, Activo will expand its product offering to the pharmaceutical market, and enter the Oncology market.

The Pharma Cluster remains focused on continuing to drive value realisation from various digital projects to position the cluster strategically and enable greater efficiencies within a highly competitive environment.

## COMMENTARY continued

### Corporate Solutions Cluster

The Corporate Solutions Cluster comprises of various entities that support the overall, uniquely integrated, employee-focused health and wellness solutions offered to corporate and institutional clients. The cluster's interactions and activities contribute to a reduction in primary healthcare costs, while increasing productivity and delivering tangible savings to employer groups.

The cluster continues to enjoy significant growth and producing improved results with the desired integration and operational efforts being realised. The key highlight within the cluster was the conclusion of negotiations with Sanlam Health Solutions Proprietary Limited for the acquisition of a Gap cover business that is supplementary to its current medical scheme offerings.

### Industry highlights

- » Awarded the full managed healthcare tender for Samwumed, effective 01 January 2022.
- » AfroCentric Health (RF) (Proprietary) Limited, the Group's main operating subsidiary retained its Level 1 B-BBEE rating.

### Financial performance

The Services Cluster, substantially comprising of medical scheme administration business, has provided a satisfactory result during the period under review. The cluster achieved a 16.6% increase in revenue, despite the constraint in membership growth over the period. The contracts secured in the prior year, with the Group's prior and continuing investment in IT capacity, systems development and more efficient operating cost control routines, continues to yield cost containment, and in turn prompted processes in robotics, call centre management and customer/member contact via digital platforms.

The Group will continue with system renewals and upgrades to explore better and more efficient ways in servicing and engaging our customers/members. The investment (R25 million) and participation in the nationwide vaccination programme affected the profitability of the segment, which still managed to increase its operating profit year on year by 3.9%.

The Pharma Cluster's performance during the financial period was supported by a diverse mix of entities, despite the headwinds affecting Pharmacy Direct and Activo Health as a result of the decline in member adherence to chronic medication (R22 million). The cluster achieved a 4.2% increase in revenue and 9.7% growth in operating profit. This has been driven largely by the efficiencies, cost controls and well-coordinated and managed pharmacy network in Scriptpharm.

Group profits before tax, decreased by 0.2% amounting to R323.8 million (2020: R324.4 million). Group profits after tax (PAT) increased by 1.3% amounting to R233.6 million (2020: R230.7 million).

## COMMENTARY continued

### Growth initiatives

AfroCentric has for some time focused on growth initiatives designed to create a value chain of healthcare enterprises to maximise the purchasing power of citizen's healthcare spend. Through models of co-operative partnerships and collaboration, the objectives are to improve the affordability of patient care, with viable patient outcomes for easier accessibility to a broader community.

In keeping with that principal philosophy, during the period under review and prior to publishing these results:

- » Activo Health concluded its acquisition of Forrester Pharma, effective 1 August 2021, to expand its product offering to the pharmaceutical market. The acquisition is consistent with AfroCentric's growth objectives in the healthcare sector and will strengthen Activo's product offering to the pharmaceutical market.
- » AfroCentric Health (RF) Proprietary Limited's acquisition of the Sanlam Gap cover business effective 1 September 2021, is expected to provide supplementary services to the Group's medical scheme offerings.

### Prospects

AfroCentric has once again delivered satisfactory operating results for the period ending 31 December 2021, particularly given national economic challenges that are still posed by the COVID-19 pandemic and the economic uncertainty. While medical scheme memberships were expected to fall dramatically, we are seeing members doing everything in their power to retain their existing health cover. However, from a chronic medicine adherence, we have seen a decline in compliance, as the demand for the preventative medicines has reverted to pre-covid levels.

The financial position of the Group remains sound, the Group is sufficiently capitalised for its immediate needs and management will continue in the normal course, to promote organic growth and consider compatible bolt-on opportunities for acquisition.

### Directors

The following changes were made to the Board during the period under review:

- » Dr SA Zinn resigned as an Independent Non-Executive Director effective 18 November 2021.
- » Mr SE Mmakau resigned as an Executive Director effective 31 January 2022.

### Change in the role of a Director

In compliance with paragraph 3.59(c) of the JSE Limited Listings Requirements, the AfroCentric Board of Directors ("the Board") hereby notifies Shareholders that Mr Willem Britz has stepped down as an Executive Director with effect from 10 March 2022. He will however remain on the Board as a Non-Executive Director going forward.



## COMMENTARY continued

### Dividends

The Board has pleasure in announcing that an interim gross dividend of 17 cents per ordinary share, has been declared for the period ended 31 December 2021. Dividends are subject to Dividends Withholding Tax. The payment date for the dividend is Monday, 16 May 2022.

- » Dividends have been declared out of profits available for distribution.
- » South African Dividends Withholding Tax rate is 20%.
- » The gross dividend amount is 17.00000 cents per ordinary share.
- » Net cash dividend amount is therefore 13.60000 cents per ordinary share.
- » The Company has 576 007 920 ordinary shares in issue as at the declaration date.
- » The 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, 10 May 2022
Shares commence trading ex-dividend	Wednesday, 11 May 2022
Dividend record date	Friday, 13 May 2022
Dividend payment date	Monday, 16 May 2022

Share certificates for ordinary shares may not be dematerialised or rematerialised between Wednesday, 11 May 2022 and Friday, 13 May 2022, both days inclusive.

With the changing composition of the Group's earnings between the Services and Retail Cluster, the current dividend policy is being reconsidered for the future.

### 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 JSE's Listings Requirements require summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards (IFRS) and 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 summarised 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.

## COMMENTARY continued

### Basis of preparation

The unaudited and 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, and this is available on our website (<http://www.afrocentric.za.com/inv-reporting.php>) or at our offices upon request.

On behalf of the Board



**Dr ATM Mokgokong**  
*Chairman*

Johannesburg  
15 March 2022



**Mr A Banderker**  
*Group Chief Executive Officer*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited year ended 30 June 2021 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>4 163 775</b>	<b>3 821 293</b>	<b>3 808 789</b>
Property and equipment	387 234	326 761	369 065
Right of use assets	172 731	200 136	176 924
Land and buildings	317 353	330 395	321 504
Investment property	7 765	15 418	7 765
Goodwill (NOTE 1)	1 564 269	1 396 316	1 407 497
Intangible assets (NOTE 1)	1 550 803	1 404 977	1 375 369
Investment in insurance contracts	33 204	—	—
Other investments	30 006	21 959	29 661
Investment in associates and joint ventures	30 783	24 670	31 541
Deferred income tax assets	69 627	100 661	89 463
<b>Current assets</b>	<b>1 221 158</b>	<b>1 235 064</b>	<b>1 305 577</b>
Trade and other receivables	505 126	516 082	503 270
Inventory	461 640	391 950	421 563
Current tax asset	51 951	29 512	32 560
Other investments	—	—	149 244
Cash and cash equivalents	202 441	297 520	198 940
<b>Total assets</b>	<b>5 384 933</b>	<b>5 056 357</b>	<b>5 114 366</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>	<b>2 387 033</b>	<b>2 255 083</b>	<b>2 326 972</b>
Issued ordinary share capital	18 902	18 892	18 892
Share premium	1 090 868	1 084 696	1 084 696
Share-based payment reserve	22 612	22 479	26 802
Treasury shares	(2 324)	(2 324)	(2 324)
Capital contribution by non-controlling interest	55 874	55 874	55 874
Foreign currency translation reserve	(4 925)	(16 219)	(6 139)
Distributable reserve	1 206 026	1 091 685	1 149 171
Non-controlling interest	960 252	927 747	928 752
<b>Total equity</b>	<b>3 347 285</b>	<b>3 182 830</b>	<b>3 255 724</b>
<b>Non-current liabilities</b>	<b>1 220 808</b>	<b>961 694</b>	<b>1 072 665</b>
Lease liabilities	140 526	174 016	156 353
Deferred income tax liabilities	286 153	268 593	250 040
Non-current provisions	8 350	8 350	8 350
Post-employment medical obligations	2 137	2 595	2 137
Deferred payment liability	96 225	—	—
Borrowings (NOTE 2)	687 417	508 140	655 785
<b>Current liabilities</b>	<b>816 840</b>	<b>911 833</b>	<b>785 977</b>
Provisions	8 631	7 258	11 269
Borrowings (NOTE 2)	120 000	139 967	120 000
Trade and other payables	516 231	565 423	436 520
Taxation	11 058	25 447	23 808
Lease liabilities	67 661	73 249	63 764
Employment benefit provisions	93 259	100 489	130 616
<b>Total liabilities</b>	<b>2 037 648</b>	<b>1 873 527</b>	<b>1 858 642</b>
<b>Total equity and liabilities</b>	<b>5 384 933</b>	<b>5 056 357</b>	<b>5 114 366</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% change	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited year ended 30 June 2021 R'000
Healthcare services revenue (NOTE 3)	16.6	2 128 640	1 825 434	3 834 256
Healthcare services operating costs (NOTE 3)	19.3	(1 799 381)	(1 508 590)	(3 108 650)
<b>Healthcare services operating profit (NOTE 3)</b>	<b>3.9</b>	<b>329 259</b>	<b>316 844</b>	<b>725 606</b>
Healthcare retail revenue (NOTE 3)	4.2	2 159 999	2 072 783	4 240 162
Healthcare retail cost of sales (NOTE 3)	2.8	(1 744 249)	(1 696 644)	(3 438 009)
Healthcare retail operating costs (NOTE 3)	11.1	(248 721)	(223 873)	(495 589)
<b>Healthcare retail operating profit (NOTE 3)</b>	<b>9.7</b>	<b>167 029</b>	<b>152 266</b>	<b>306 564</b>
Total healthcare operating profit (excluding lease reversals)	5.8	496 288	469 110	1 032 170
IFRS 16: Lease reversals	(8.2)	39 174	42 655	86 456
<b>Total healthcare operating profit (including lease reversals)</b>	<b>4.6</b>	<b>535 462</b>	<b>511 765</b>	<b>1 118 626</b>
Profit on sale of investment		—	—	1 314
Fair value gains/(losses)		1 101	9	(6 307)
Other income		—	—	1 747
Impairment of assets and loans		(3 108)	(1 828)	(10 378)
Scrapping of intangible assets		—	—	(26 793)
Net finance and investment income		(29 677)	(16 847)	(36 498)
– Finance and investment income		7 440	11 921	20 595
– Finance costs: lease liability		(8 985)	(12 400)	(21 420)
– Finance costs		(28 132)	(16 368)	(35 673)
Share-based payment expense		(2 626)	(6 464)	(10 694)
Share of profits from associates and joint ventures		4 378	3 588	8 294
<b>Profit before depreciation and amortisation</b>	<b>3.1</b>	<b>505 530</b>	<b>490 223</b>	<b>1 039 311</b>
Depreciation		(41 237)	(33 930)	(78 202)
Right of use asset depreciation		(26 213)	(35 298)	(66 564)
Amortisation of intangible assets		(114 272)	(96 591)	(195 027)
<b>Profit before taxation</b>	<b>(0.2)</b>	<b>323 808</b>	<b>324 404</b>	<b>699 518</b>
Taxation expense	(3.7)	(90 179)	(93 682)	(205 741)
<b>Profit for the year from continuing operations</b>	<b>1.3</b>	<b>233 629</b>	<b>230 722</b>	<b>493 777</b>
Loss from discontinued operations (NOTE 4)		—	—	(14 008)
Loss on disposal of subsidiary (NOTE 4)		—	(4 256)	(10 014)
<b>Profit for the year</b>	<b>3.2</b>	<b>233 629</b>	<b>226 466</b>	<b>469 755</b>
Other comprehensive income/(loss)		1 703	(1 587)	6 151
<b>Comprehensive net income for the year</b>	<b>4.6</b>	<b>235 332</b>	<b>224 879</b>	<b>475 906</b>
<b>Attributable to:</b>				
Equity holders of the Parent		155 495	144 453	310 655
Non-controlling interest		79 837	80 426	165 251
		<b>235 332</b>	<b>224 879</b>	<b>475 906</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited year ended 30 June 2021 R'000
<b>Net cash inflow from operating activities</b>	<b>235 591</b>	249 595	385 264
Cash generated from operations	520 437	522 844	1 013 012
Net finance income	(29 677)	(16 847)	(37 498)
Distribution to shareholders	(145 763)	(147 608)	(327 711)
Dividends received	5 191	4 141	4 292
Tax and other payments	(114 597)	(112 935)	(266 831)
<b>Net cash utilised in investing activities</b>	<b>(244 510)</b>	(359 709)	(658 214)
Net additions to property and equipment	(59 421)	(139 093)	(216 577)
Net additions to intangible assets	(107 068)	(124 294)	(205 543)
Net additions of financial assets, investments and subsidiaries	(78 021)	(96 322)	(236 094)
<b>Net cash inflow from financing activities</b>	<b>10 717</b>	231 541	298 589
Net Increase in borrowings	31 632	261 796	389 474
Changes in ownership interests in subsidiaries that do not result in loss of control	—	—	(20 000)
Net lease liability repayment	(20 915)	(30 255)	(70 885)
Effect of foreign exchange benefit/(loss)	1 703	(1 587)	(4 379)
<b>Net increase in cash and cash equivalents</b>	<b>3 501</b>	119 840	21 260
Cash and cash equivalents at beginning of the period	198 940	177 680	177 680
<b>Cash and cash equivalents at end of the period</b>	<b>202 441</b>	297 520	198 940

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited year ended 30 June 2021 R'000
<b>Balance at beginning of the period</b>	<b>3 255 724</b>	3 119 095	3 119 095
Issue of share capital*	10	7	7
Share premium*	6 172	4 394	4 395
Vested Share-based awards*	(6 723)	(4 401)	(4 402)
Share-based awards reserve	2 533	6 464	10 787
Distributions to shareholders	(97 426)	(97 517)	(194 788)
Net profit for the period	155 495	144 453	310 655
Profit attributable to minorities	79 837	80 426	165 251
Changes in ownership	—	(20 000)	(20 000)
Disposal of subsidiary	—	—	(2 353)
Distributions to non-controlling interests	(48 337)	(50 091)	(132 923)
<b>Balance at end of the period</b>	<b>3 347 285</b>	3 182 830	3 255 724

\* During the period ending December 2021, 1 056 669 shares vested as follows:

- 90 000 shares were exercised at the weighted average price of R3.55 and the grant date price was R6.20;
- 440 002 shares were exercised at the weighted average price of R5.26 and the grant date price was R6.20; and
- 526 667 shares were exercised at the weighted average price of R5.26 and the grant date price was R5.50.

At the end of the December 2021 period, 20 430 000 shares were outstanding for the incentive share scheme.

The fair value of the shares granted was determined by obtaining the share price as traded on the JSE.

## EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS

	% change	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited year ended 30 June 2021 R'000
Number of ordinary shares in issue		576 007 920	574 951 251	574 964 584
Weighted average number of ordinary shares		575 112 918	574 300 415	574 655 416
Weighted average number of shares for diluted EPS		595 542 918	594 081 251	591 245 416
<b>Basic earnings</b>				
– From continuing operations		154 281	146 040	316 041
– From discontinued operations		—	—	(14 008)
<b>Total basic earnings</b>	5.6	154 281	146 040	302 033
Adjusted by:		223	3 450	27 035
– Reversal of loss on disposal of subsidiary		—	4 256	10 014
– Reversal of impairment of intangible assets		—	—	2 411
– Reversal of fair value (gains)/losses		—	(9)	7 653
– Reversal of loss on disposal of assets		434	2 143	3 947
– Reversal of scrapping of intangible assets		—	—	26 793
– Reversal of goodwill impairment		—	—	771
– Reversal of profit on disposal of investments		—	—	(1 314)
– Reversal of foreign currency translation reserve reclassification		—	—	10 401
Total tax adjustments		(122)	(1 551)	(22 759)
Total non-controlling interest adjustments		(90)	(1 389)	(10 882)
<b>Headline earnings</b>	3.4	154 504	149 490	329 068
<b>Earnings per share (cents)</b>				
– Attributable to ordinary shares (cents)	5.5	26.83	25.43	52.56
– Continuing operations		26.83	25.43	55.00
– Discontinued operations		—	—	(2.44)
– Fully diluted EPS (cents)	5.4	25.91	24.58	51.08
– Continuing operations		25.91	24.58	53.45
– Discontinued operations		—	—	(2.37)
<b>Headline earnings per share (cents)</b>				
– Attributable to ordinary shares (cents)	3.2	26.86	26.03	57.26
– Fully diluted HEPS (cents)	3.1	25.94	25.16	55.66

## NORMALISED EARNINGS (NON IFRS MEASURE)

	% change	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited year ended 30 June 2021 R'000
Heading earnings	3.4	154 504	149 490	329 068
Adjusted by:		(2 041)	2 589	24 718
– Less rental reversal		(39 174)	(42 655)	(86 628)
– Right of use asset depreciation		26 213	35 298	66 564
– Interest on lease liability		8 985	12 400	21 420
– Discontinued operations reversal		—	—	24 022
Total tax effects of adjustments		1 113	(1 412)	(380)
Total NCI effects of adjustments		822	(1 042)	(280)
Normalised headline earnings	0.3	152 463	152 079	353 786
<b>Normalised headline earnings per share (cents)</b>				
– Attributable to ordinary shares (cents)	0.1	26.51	26.48	61.56
– Fully diluted HEPS (cents)	0.0	25.60	25.60	59.84



# NOTES

## NOTE 1: INTANGIBLE ASSETS

	Carrying value			Amortisation		
	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited year ended 30 June 2021 R'000	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited year ended 30 June 2021 R'000
<b>Goodwill</b>	<b>1 564 269</b>	<b>1 396 316</b>	<b>1 407 497</b>	<b>—</b>	<b>—</b>	<b>—</b>
Goodwill – AfroCentric Health	473 980	474 932	473 980	—	—	—
Goodwill – Pharmacy Direct and Curasana	473 954	473 954	473 954	—	—	—
Goodwill – Activo	424 645	424 464	424 645	—	—	—
Goodwill – DENIS	34 918	22 966	34 918	—	—	—
Goodwill – Activo Healthcare Assets*	156 772	—	—	—	—	—
<b>Intangible assets</b>	<b>1 550 803</b>	<b>1 404 977</b>	<b>1 375 369</b>	<b>(114 272)</b>	<b>(96 591)</b>	<b>(195 027)</b>
Customer relationships – Pharmacy Direct and Curasana	25 076	34 024	29 550	(4 474)	(4 474)	(8 948)
Activo Dossiers	268 589	271 890	266 313	(7 884)	(7 884)	(15 767)
Customer relationships – DENIS	48 763	59 587	55 265	(6 502)	(5 431)	(9 753)
Activo Healthcare Assets Dossiers*	180 894	—	—	(9 675)	—	—
<b>AfroCentric Health intangible assets</b>	<b>234 399</b>	<b>320 600</b>	<b>232 543</b>	<b>(16 548)</b>	<b>(16 829)</b>	<b>(34 451)</b>
AfroCentric Health intangible PPA	20 672	33 030	26 665	(5 993)	(6 703)	(13 068)
AfroCentric Health intangible software	213 727	287 570	205 878	(10 555)	(10 126)	(21 383)
<b>Administration Systems – Self Generated</b>	<b>786 083</b>	<b>654 687</b>	<b>762 254</b>	<b>(63 098)</b>	<b>(46 168)</b>	<b>(110 342)</b>
Nexus & Other Healthcare Administration Systems	636 751	486 135	602 573	(52 749)	(37 297)	(92 600)
AfroCentric Health Fusion	149 332	168 552	159 681	(10 349)	(8 871)	(17 742)
Insurance Fraud Manager (Fraud Management Software)	6 999	64 189	29 444	(6 091)	(15 805)	(15 766)
	<b>3 115 072</b>	<b>2 801 293</b>	<b>2 782 866</b>	<b>(114 272)</b>	<b>(96 591)</b>	<b>(195 027)</b>

\* The intangible assets relating to Activo Healthcare Assets represent the Forrester Pharma acquisition that was completed on August 2021.

## NOTE 2: BORROWINGS

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited year ended 30 June 2021 R'000
Borrowings (non-current)	687 417	508 140	655 785
Borrowings (current)	120 000	139 967	120 000
<b>Total borrowings</b>	<b>807 417</b>	<b>648 107</b>	<b>775 785</b>

## NOTE 3: SEGMENTAL CHANGES

For the year ended 30 June 2021, Denis Group was moved from the Healthcare Retail segment to the Healthcare Services segment to align presentation with the Group's operations and strategy.

Furthermore, for the year ended 30 June 2021, Scriptpharm's capitation costs were moved from Healthcare retail operating costs to Healthcare retail cost of sales to align presentation to the nature of the business.

Consequently, the unaudited six months ended 31 December 2020 were represented as follows:

Subsidiary	As previously reported R'000	Adjustment relating to Denis Group R'000	Adjustment relating to Scriptpharm R'000	Represented R'000
Healthcare services revenue	1 693 222	132 212	—	1 825 434
Healthcare services operating costs	(1 379 673)	(128 917)	—	(1 508 590)
<b>Healthcare services operating profit</b>	<b>313 549</b>	<b>3 295</b>	<b>—</b>	<b>316 844</b>
Healthcare retail revenue	2 204 995	(132 212)	—	2 072 783
Healthcare retail cost of sales	(927 317)	—	(769 327)	(1 696 644)
Healthcare retail operating costs	(1 122 117)	128 917	769 327	(223 873)
<b>Healthcare retail operating profit</b>	<b>155 561</b>	<b>(3 295)</b>	<b>—</b>	<b>152 266</b>

## NOTE 4: DISCONTINUED OPERATIONS

The note is included for comparative purposes, as the Group disposed of the following subsidiaries during the prior financial year:

Subsidiary	Effective date of sale
Medscheme Administrators Eswatini Proprietary Limited	31-May-21
Medscheme Health Insurance Eswatini Limited	31-May-21
Medscheme Zimbabwe Private Limited	30-Apr-21
AfroCentric Integrated Health Risk Managers Proprietary Limited	02-Jul-20

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

### Note 4.1: Profit/(loss) from discontinued operations excluding gains and losses from measurement or disposal are as follows:

	30 June 2021 R'000
Revenue	20 627
Cost of sales	—
<b>Gross profit</b>	<b>20 627</b>
Other income	99
Depreciation	(135)
Right of use asset depreciation	(19)
Amortisation	(27)
Interest on lease liability	(2)
Other expenses	(24 013)
Reclassification of foreign currency translation reserve	(10 401)
Loss before tax	(13 871)
Income tax	(137)
<b>Loss for the year</b>	<b>(14 008)</b>
Exchange differences on translation of discontinued operations	11 658
<b>Other comprehensive income from discontinued operations</b>	<b>11 658</b>

# NOTES continued

## Note 4.2: Cash flows from discontinued operations

	30 June 2021 R'000
Net cash flows from operating activities	2 553
Net cash flows utilised in investing activities	(3 862)
Net cash flows utilised in financing activities	(768)
	<u>(2 077)</u>
Proceeds on sale of subsidiaries	—
Less cash balances disposed	<u>(2 835)</u>
Net cash outflow on disposal of subsidiaries	<u>(2 835)</u>

## Note 4.3: Details of the sale of the subsidiaries

	30 June 2021 R'000
Consideration received or receivable:	
Cash	—
Fair value of contingent consideration	—
Total disposal consideration	<u>—</u>
Carrying amount of net assets sold	10 014
Loss on sale	<u>(10 014)</u>
Reclassification of foreign currency translation reserve	—
Income tax expense on gain	—
Loss on sale after income tax	<u>(10 014)</u>

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

	AfroCentric Integrated Health Risk Managers R'000	Medscheme Zimbabwe R'000	Medscheme Administrators Eswatini R'000	Medscheme Health Insurance Eswatini R'000
Property, plant and equipment	—	—	235	—
Intangible assets	—	—	3	—
Deferred tax asset	77	149	10 854	722
Trade and other receivables	601	1 641	49	—
Current tax asset	130	—	330	—
Cash and cash equivalents	11	140	39	2 645
Loans to group companies	—	—	—	4 883
<b>Total assets</b>	<b>819</b>	<b>1 930</b>	<b>11 510</b>	<b>8 250</b>
Loans from group companies	—	—	4 883	—
Trade and other payables	188	904	—	3 109
Current tax liability	—	306	—	29
Provisions	274	—	—	—
<b>Total liabilities</b>	<b>462</b>	<b>1 210</b>	<b>4 883</b>	<b>3 138</b>
<b>Net assets sold</b>	<b>357</b>	<b>720</b>	<b>6 627</b>	<b>5 112</b>
Non-distributable reserves	—	—	(1 675)	—
Non-controlling interest	—	(3 775)	3 597	(949)
<b>Carrying amount of net assets sold</b>	<b>357</b>	<b>(3 055)</b>	<b>8 549</b>	<b>4 163</b>

# SEGMENTAL ANALYSIS

	Growth December 2021/2020		31 December 2021		Operating margin %
	Revenue %	Operating profit %	Revenue R'000	Operating profit R'000	
<b>Healthcare SA</b>	21	(3)	1 909 725	141 852	7
Denis Group	104	417	269 858	17 043	6
Information Technology	(4)	(6)	321 860	129 140	40
<b>Total SA administration business</b>	22	0	2 501 443	288 035	12
Healthcare Africa	(9)	41	100 693	41 224	41
<b>Total Group administration business</b>	21	4	2 602 136	329 259	13
<b>Healthcare Retail</b>	4	10	2 159 999	167 029	8
Pharmacy Direct & Curasana					
Wholesaler	(1)	(10)	774 217	63 375	8
Activo Group*	22	5	421 960	66 373	16
Scriptpharm	(1)	99	790 970	33 170	4
Mmed	16	111	172 852	4 111	2
<b>Total Healthcare</b>	13	6	4 762 135	496 288	10
Lease reversal adjustment	—	(8)	—	39 174	—
Other (including inter-segment elimination)	45		(473 496)	—	—
<b>Total</b>	10	5	4 288 639	535 462	12

	Growth December 2021/2020		31 December 2021			Total assets R'000
	Profit before tax %	Profit after tax %	Profit before tax R'000	Profit after tax R'000	Net margin %	
<b>Healthcare SA</b>	(4)	(2)	113 930	78 052	4	1 848 578
Denis Group	45	22	17 594	13 768	5	216 019
Information Technology	(25)	(26)	40 087	30 688	10	1 917 698
<b>Total SA administration business</b>	(7)	(8)	171 611	122 508	5	3 982 295
Healthcare Africa	44	76	39 113	30 112	30	153 808
<b>Total Group administration business</b>	0	2	210 724	152 620	6	4 136 103
<b>Healthcare Retail</b>	3	2	149 827	108 084	5	1 696 887
Pharmacy Direct & Curasana						
Wholesaler	(13)	(18)	55 322	39 555	5	884 483
Activo Group*	(12)	(10)	56 168	40 681	10	521 392
Scriptpharm	74	74	37 706	27 165	3	176 211
Mmed	118	125	631	683	0	114 801
<b>Total Healthcare</b>	1	2	360 551	260 704	5	5 832 990
Other (including inter-segment elimination)	2	(7)	(36 743)	(27 075)	6	(448 057)
<b>Total</b>	1	3	323 808	233 629	5	5 384 933

\* Activo Health acquired 100% of Activo Healthcare Assets Group on 1 August 2021.

	Operating profit December 2021	Operating profit December 2020	Operating profit December 2021	Operating profit December 2020
Composition of operating profit – % contribution	%	%	R'000	R'000
Total SA administration business	61	64	327 209	330 363
Healthcare Africa	8	6	41 224	29 136
Healthcare Retail	31	30	167 029	152 266
	100	100	535 462	511 765

31 December 2020			30 June 2021		
Revenue R'000	Operating profit R'000	Operating margin %	Revenue R'000	Operating profit R'000	Operating margin %
1 573 205	146 679	9	3 329 554	327 602	10
132 212	3 295	2	411 882	26 288	6
336 711	137 734	41	685 491	297 322	43
2 042 128	287 708	14	4 426 927	651 212	15
110 400	29 136	26	197 368	74 394	38
2 152 528	316 844	15	4 624 295	725 606	16
2 072 783	152 266	7	4 240 162	306 564	7
779 648	70 654	9	1 541 243	111 057	7
347 176	62 964	18	759 990	144 779	19
797 080	16 699	2	1 602 485	44 146	3
148 879	1 949	1	336 444	6 582	2
4 225 311	469 110	11	8 864 457	1 032 170	12
	42 655			86 456	
(327 094)	—	—	(790 039)	—	—
3 898 217	511 765	13	8 074 418	1 118 626	14

31 December 2020				30 June 2021			
Profit before tax R'000	Profit after tax R'000	Net margin %	Total assets R'000	Profit before tax R'000	Profit after tax R'000	Net margin %	Total assets R'000
118 225	79 833	5	1 645 353	245 670	145 660	4	1 528 610
12 094	11 261	9	196 471	28 900	21 021	5	160 802
53 244	41 471	12	1 405 965	78 014	77 013	11	1 936 464
183 563	132 565	6	3 247 789	352 584	243 694	6	3 625 876
27 193	17 079	15	183 207	70 104	48 207	24	150 486
210 756	149 644	7	3 430 996	422 688	291 901	6	3 776 362
145 333	106 031	5	1 528 884	277 287	192 217	5	1 912 809
63 351	48 266	6	782 515	99 180	70 517	5	789 334
63 832	44 956	13	418 300	127 690	87 234	11	882 450
21 715	15 584	2	192 362	52 050	37 501	2	126 708
(3 565)	(2 775)	(2)	135 707	(1 633)	(3 035)	(1)	114 317
356 089	255 675	6	4 959 880	699 975	484 118	5	5 689 171
(35 941)	(29 209)	9	96 477	(457)	9 659	(1)	(574 805)
320 148	226 466	6	5 056 357	699 518	493 777	6	5 114 366

# DISAGGREGATED REVENUE

## Revenue

Disaggregation of revenue from contracts with customers:

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group reportable segments.

	Administration fees	Healthrisk management fees – medical aid schemes	Management fees	Healthcare insurance
	R'000	R'000	R'000	R'000
<b>31 DECEMBER 2021</b>				
<b>Primary geographical markets</b>				
South Africa	769 806	673 077	4 359	22 491
Africa	84 291	8 321	815	—
	854 097	681 398	5 174	22 491
<b>Major product/service line</b>				
Admin health	854 097	—	—	—
Retail (Pharma)	—	—	—	—
Managed healthcare	—	681 398	5 174	22 491
	854 097	681 398	5 174	22 491
<b>Timing of revenue recognition</b>				
Products transferred at a point in time	—	—	—	—
Products and services transferred over time	854 097	681 398	5 174	22 491
	854 097	681 398	5 174	22 491
<b>31 DECEMBER 2020</b>				
<b>Primary geographical markets</b>				
South Africa	723 249	742 658	1 582	15 502
Africa	85 720	8 052	776	7 377
	808 969	750 710	2 358	22 879
<b>Major product/service line</b>				
Admin health	808 969	—	—	—
Retail (Pharma)	—	—	—	—
Managed healthcare	—	750 710	2 358	22 879
	808 969	750 710	2 358	22 879
<b>Timing of revenue recognition</b>				
Products transferred at a point in time	—	—	—	—
Products and services transferred over time	808 969	750 710	2 358	22 879
	808 969	750 710	2 358	22 879
<b>30 JUNE 2021</b>				
<b>Primary geographical markets</b>				
South Africa	1 387 629	1 411 066	2 474	38 096
Africa	165 827	16 288	1 579	—
	1 553 456	1 427 354	4 053	38 096
<b>Major product/service line</b>				
Admin health	1 553 456	—	—	—
Retail (Pharma)	—	—	—	—
Managed healthcare	—	1 427 354	4 053	38 096
	1 553 456	1 427 354	4 053	38 096
<b>Timing of revenue recognition</b>				
Products transferred at a point in time	—	—	—	—
Products and services transferred over time	1 553 456	1 427 354	4 053	38 096
	1 553 456	1 427 354	4 053	38 096

IT revenue and other	Retail	Health risk management fees – Capitation funds	Marketing fees	Group total
R'000	R'000	R'000	R'000	R'000
285 179	1 289 599	1 057 517	85 918	4 187 946
7 266	—	—	—	100 693
292 445	1 289 599	1 057 517	85 918	4 288 639
292 445	—	1 057 517	85 918	2 289 977
—	1 289 599	—	—	1 289 599
—	—	—	—	709 063
292 445	1 289 599	1 057 517	85 918	4 288 639
—	1 289 599	—	—	1 289 599
292 445	—	1 057 517	85 918	2 999 040
292 445	1 289 599	1 057 517	85 918	4 288 639
260 226	1 152 996	795 208	96 396	3 787 817
8 475	—	—	—	110 400
268 701	1 152 996	795 208	96 396	3 898 217
268 701	—	795 208	96 396	1 969 274
—	1 152 996	—	—	1 152 996
—	—	—	—	775 947
268 701	1 152 996	795 208	96 396	3 898 217
—	1 152 996	—	—	1 152 996
268 701	—	795 208	96 396	2 745 221
268 701	1 152 996	795 208	96 396	3 898 217
528 300	2 437 065	1 877 580	194 840	7 877 050
13 674	—	—	—	197 368
541 974	2 437 065	1 877 580	194 840	8 074 418
541 974	—	—	194 840	2 290 270
—	2 437 065	—	—	2 437 065
—	—	1 877 580	—	3 347 083
541 974	2 437 065	1 877 580	194 840	8 074 418
—	2 437 065	—	—	2 437 065
541 974	—	1 877 580	194 840	5 637 353
541 974	2 437 065	1 877 580	194 840	8 074 418

## COMPANY INFORMATION

### AfroCentric Investment Corporation Limited

Incorporated in the Republic of South Africa

Registration number 1988/000570/06

JSE Code: ACT

ISIN: ZAE 000078416

("AfroCentric" or "the Company" or "the Group")

### Registered Office

37 Conrad Rd, Florida North, 1709

### Sponsor

Questco Corporate Advisory Proprietary Limited

### Group Company Secretary

B Mokale

### Group Investor Relations

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### Directors

ATM Mokgokong\*\* (*Chairman*)

MJM Madungandaba\*\* (*Deputy Chairman*)

A Banderker\*\*\* (*CEO*)

JW Boonzaaier\*\*\* (*CFO*)

G Allen\*\*

WH Britz\*\*

JB Fernandes\* (*Lead*)

ND Munisi\*\*

AM le Roux\*

M Chauke\*

J Strydom\*\*

\*independent non-executive \*\*non-executive \*\*\*executive

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