

**WWW.
AFROCENTRIC.
ZA.COM**

**RE-IMAGINING
THE HEALTHCARE
SYSTEM**

**AfroCentric
GROUP**

Healthier Together

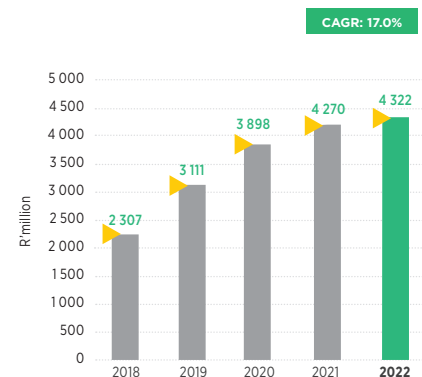
2022 **UNAUDITED
INTERIM RESULTS**

for the six months ended
31 December

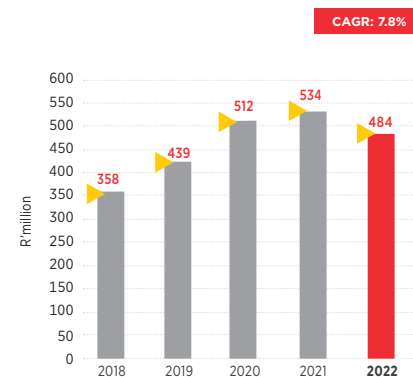
SALIENT FEATURES



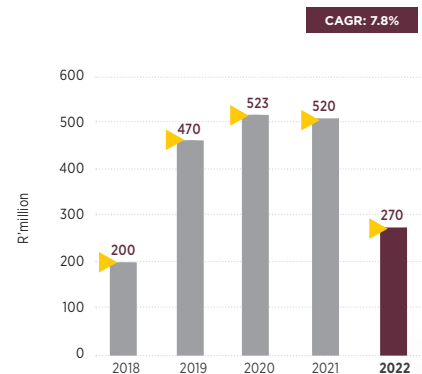
Total revenue



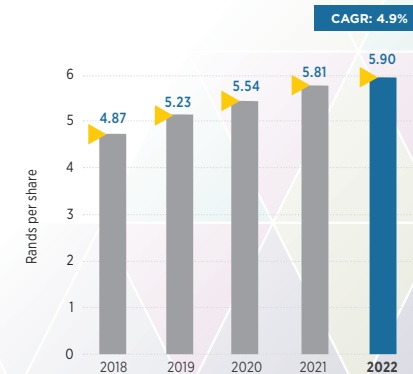
Operating profit (non-IFRS measure)



Refer to page 20

Cash generated from operations
(excluding dividends paid)

NAV per share



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 presents commentary on operating profit for the 6 month period ended 31 December 2022. These results demonstrate in some businesses a sustainable performance while in others we experienced tough trading conditions. The normalisation of consumer patterns post Covid fueled by economic challenges has had an impact particularly in the Pharmaceutical cluster. As a result, we have seen a notable reduction in sales of preventative medication such as over-the-counter medicine and a general slowdown in chronic pharmaceutical sales.

The medical scheme administration business has sustained its continuous growth in terms of revenue and efficient servicing costs through digital enablement.

The Group's profitability has also been affected by the significant investment in a continuous IT system and infrastructure modernisation that is currently underway, as the Group gets ready for a more digitally focused mode of engagement. This creates an exciting opportunity as we allow ourselves to move at pace with consumer demands and further collaboration with Sanlam.

All these shifts, some of which are once-off in nature, have negatively impacted the Group's operating profit.

Cluster review

Services Cluster

The Services Cluster, substantially comprising of the medical scheme administration business, has mainly focused on creating certainty with regards to sustainability, innovation and improved member experience at care and service touchpoints. Significant traction has been gained with regard to the digital solutions and enablement capabilities that ensure optimal delivery of our product solutions with clear aim to provide easy benefit access, self-service and high touch service.

The Cluster has seen a 2.7% growth in revenue, while experiencing marginal growth in the medical aid scheme membership, membership losses in some of the schemes, as well as member buy down of options.

The investment on the IT system modernisation, business acquisition costs incurred in facilitation of the Sanlam transaction for unlocking future synergies and collaboration, the costs associated with prolonged loadshedding, as well as the additional legal costs incurred on the second arbitration of the NHA matter have resulted in the Cluster decreasing its operating profit by 7.0%.

COMMENTARY continued

Pharmaceutical Cluster (Healthcare Retail)

The Pharma Cluster had a challenging six months resulting in the decline in operating profit by 18.4%, mainly influenced by a general slowdown of the pharmaceutical products, lower adherence by patients to chronic medicine, the reduction in the Single Exit Price (SEP), as well as uncertain consumer spending patterns on preventative medicine. These challenges necessitated that the Cluster focus on strategies to increase revenue, reduce costs and improve the patient experience. This included projects to return non-adherent patients, savings on clinical cost by digitising several processes, as well as projects to optimise courier costs. The action plans have already yielded positive results, with a reduction in the overall cost per script, and an increase in the number of scripts.

Pharmacy Direct retained three of the provinces and attained two additional provinces in the outcome of the CCMDD tender, which will offset some of the losses experienced by the Pharma Cluster. This tender however comes with a reduced price per script which will marginally reduce the profit of the contract.

Corporate Solutions Cluster

The Corporate Solutions Cluster comprise 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.

Following the acquisition of the Sanlam Gap cover business in 2022, the Sanlam Gap business continues to deliver solid performance and has bolstered the Cluster's profitability. The Primary Health Insurance book has seen a 66% increase off a low base and the Gap cover book size has increased by 14%.

Group milestones

- Pharmacy Direct retained three provinces from the CCMDD tender, and attained two additional provinces (Gauteng and North West).
- Scriptpharm was successful in the award of the Polmed contract renewal for medicine management; the contract will be effective for four years.
- AfroCentric Health (RF) (Proprietary) Limited, the Group's main operating subsidiary, retained its Level 1 B-BBEE rating.
- AfroCentric Investment Corporation Limited attained a Level 1 B-BBEE rating, effective December 2022.

Financial performance

The Group's revenue for the six months grew by 1.2% from the prior year – the muted growth has been affected by the marginal membership growth, membership buy down of options, slowdown of the pharmaceutical sales, reduced adherence to chronic medicine by patients, reduction in SEP and reduction in sales of preventative medicine.

COMMENTARY *continued*

The Group's deliberate investment in digital solutions to enhance member experience, has resulted in costs being incurred as part of the investment in a continuous IT system and infrastructure modernisation that is currently underway.

The Group's profitability has also been negatively impacted by the business acquisition costs incurred in facilitation of the Sanlam transaction for unlocking future synergies and collaboration, and the costs associated with prolonged loadshedding, as well as the additional legal costs incurred on the second arbitration of the NHA matter.

Pursuant to these additional costs incurred, the Group's profit before tax decreased by 17.2% amounting to R270.9 million (2021: R327.3 million). The Group's profit after tax (PAT) decreased by 16.9% amounting to R194.2 million (2021: R233.6 million).

Despite the negative results to the previous period, the Group will continue with the investment in digitisation to explore better and more efficient ways in servicing and engaging our customers and members.

The Group's working capital has been adversely affected by the increase in the trade receivables. This is mainly attributed to the significant outstanding debtors balance from the National Department of Health in respect of the CCMD contract.

Growth initiatives

During the period under review, AfroCentric Health acquired the remaining 49% shares in AfroCentric Distribution Services (ADS) effective 1 July 2022. ADS performs a critical role through its marketing and support services for medical schemes.

Outlook

The Group's core business remains sound with good diversification in the private and public medical scheme membership. The focus for the remainder of 2023 will be to optimise its spend on IT which will then enable the operations to become more efficient in its service model.

The Group's focus will remain on yielding synergies and the integration of various businesses and products, as well as enhancing the elements of the Group's businesses to leverage the full benefits of being the most diversified healthcare group in Southern Africa.

The transaction to acquire the controlling stake in AfroCentric by Sanlam is progressing well, following the approval of the transaction by the shareholders as well as the attainment of the minimum shares by Sanlam. The last steps to see the transaction to completion are currently underway.

Dividends

The Board has decided to follow a prudent approach to short term cash flow funding by postponing the interim dividend due to the significant increase in the trade receivables. A final full year dividend will be considered at year end in accordance with the Board's assessment of the Group's solvency and liquidity at that point in time.

COMMENTARY *continued***Accounting policies and basis of preparation**

The summarised 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.

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.

Responsibility statement

The AfroCentric Board, individually and collectively, accepts responsibility for the information contained in this announcement insofar as it relates to AfroCentric. In addition, the AfroCentric Board confirms that, to the best of its knowledge and belief, the information contained in this announcement, as it relates to AfroCentric, is true and correct and, where appropriate, does not omit anything that is likely to affect the importance of the information contained herein pertaining to AfroCentric and that all reasonable enquiries to ascertain such information have been made.

On behalf of the Board



Dr ATM Mokgokong
Chairman

Johannesburg
13 March 2023



Mr A Banderker
Group Chief Executive Officer

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited six months ended 31 December 2022 R'000	Restated* Unaudited six months ended 31 December 2021 R'000	Audited year ended 30 June 2022 R'000
ASSETS			
Non-current assets	4 062 033	4 163 775	4 115 697
Property and equipment	360 267	387 234	381 057
Land and buildings	313 551	317 353	316 561
Right of use assets	129 751	172 731	147 964
Investment property	7 631	7 765	7 631
Goodwill (NOTE 1)	1 558 496	1 564 269	1 558 496
Intangible assets (NOTE 1)	1 505 818	1 550 803	1 517 840
Investment in associates and joint ventures	40 422	30 783	33 340
Deferred tax assets	53 315	69 627	77 072
Other financial assets	88 602	63 210	75 736
Deferred payment asset	4 180	—	—
Current assets	1 660 811	1 221 158	1 321 909
Inventory	463 739	461 640	431 764
Trade and other receivables	981 779	505 126	724 321
Current tax asset	60 136	51 951	27 235
Cash and cash equivalents (NOTE 3)	155 157	202 441	138 589
Total assets	5 722 844	5 384 933	5 437 606
EQUITY AND LIABILITIES			
Capital and reserves	2 412 487	2 387 033	2 448 394
Issued share capital	18 928	18 902	18 909
Share premium	1 109 032	1 090 868	1 094 876
Retained income	1 210 587	1 206 026	1 255 650
Share-based payment reserve	22 250	22 612	30 465
Treasury shares	(1 162)	(2 324)	(2 324)
Capital contribution by non-controlling interest	55 874	55 874	55 874
Foreign currency translation reserve	(3 022)	(4 925)	(5 056)
Non-controlling interest	1 002 758	960 252	997 491
Total equity	3 415 245	3 347 285	3 445 885
Non-current liabilities	965 870	1 207 480	995 923
Deferred tax liabilities	234 730	286 153	242 367
Non-current provisions	16 940	8 350	16 970
Post-employment medical obligations	1 915	2 137	1 916
Lease liabilities	107 966	140 526	127 790
Borrowings (NOTE 2)	523 907	687 417	531 082
Contingent consideration	80 412	82 897	75 798
Current liabilities	1 341 729	830 168	995 798
Employment benefit provisions	44 717	93 259	143 122
Trade and other payables	792 795	516 231	613 200
Provisions	11 117	8 631	15 216
Current tax liabilities	10 870	11 058	19 161
Lease liabilities	63 560	67 661	68 610
Borrowings (NOTE 2)	120 000	120 000	120 000
Deferred payment liability	—	13 328	14 139
Bank overdraft (NOTE 3)	298 670	—	2 350
Total liabilities	2 307 599	2 037 648	1 991 721
Total equity and liabilities	5 722 844	5 384 933	5 437 606

* Refer to note 4 for the details of the restatement

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% change	Unaudited six months ended 31 December 2022 R'000	Restated* Unaudited six months ended 31 December 2021 R'000	Audited year ended 30 June 2022 R'000
Revenue from contracts with customers	1.2	4 322 145	4 269 641	8 693 217
Fair value gains		4 462	4 700	6 369
Finance income		9 085	7 402	14 996
Other income		—	—	563
Total income	1.3	4 335 692	4 281 743	8 715 145
Cost of distribution of pharmaceutical products		(42 469)	(53 099)	(98 694)
Cost of pharmaceutical products and finished goods		(973 434)	(935 167)	(2 022 726)
Employee benefit costs		(1 168 278)	(1 166 984)	(2 340 458)
Other expenses		(1 481 404)	(1 469 917)	(2 880 066)
Amortisation		(107 047)	(114 272)	(231 269)
Rent and property costs		(49 830)	(47 631)	(95 137)
Right of use assets depreciation		(31 320)	(25 284)	(61 606)
Depreciation		(43 666)	(41 189)	(87 138)
IT costs		(128 710)	(65 355)	(145 734)
Write off of intangible assets		—	—	(635)
Impairment of loans		—	(3 108)	(3 203)
Share of profits from associates and joint ventures		5 325	4 378	6 991
Interest on lease liabilities		(7 749)	(8 686)	(18 781)
Finance costs		(36 162)	(28 132)	(57 049)
Profit before tax	(17.2)	270 948	327 297	679 640
Income tax expense – continuing operations	15.2	(76 504)	(90 179)	(190 963)
Profit from continuing operations	(18.0)	194 444	237 118	488 677
Loss from discontinued operations (NOTE 5)		—	(3 489)	(6 937)
Loss on disposal of subsidiaries (NOTE 5)		(198)	—	—
Profit for the year	(16.9)	194 246	233 629	481 740
Profit for the year attributable to:				
Owners of Parent		125 793	154 281	314 276
Non-controlling interest		68 453	79 348	167 464
	(16.9)	194 246	233 629	481 740
Profit for the year attributable to equity shareholders arises from:				
Continuing operations		125 793	157 770	321 213
Discontinued operations		—	(3 489)	(6 937)
	(18.5)	125 793	154 281	314 276

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME continued

	% change	Unaudited six months ended 31 December 2022 R'000	Restated* Unaudited six months ended 31 December 2021 R'000	Audited year ended 30 June 2022 R'000
Profit for the year	(16.9)	194 246	233 629	481 740
Other comprehensive income				
Components of other comprehensive income that will not be reclassified to profit or loss				
Remeasurement of post-employment benefit obligations		—	—	(24)
Income tax relating to these items		—	—	6
Total other comprehensive income that will not be reclassified to profit or loss		—	—	(18)
Components of other comprehensive income that will be reclassified to profit or loss				
Foreign exchange benefit of continuing operations		2 853	1 703	1 519
Total other comprehensive income that will be reclassified to profit or loss		2 853	1 703	1 519
Total other comprehensive income net of tax		2 853	1 703	1 501
Total comprehensive income	(16.2)	197 099	235 332	483 241
Comprehensive income attributable to:				
Comprehensive income, attributable to owners of parent		127 827	155 495	315 341
Comprehensive income, attributable to non-controlling interests		69 272	79 837	167 900
		197 099	235 332	483 241

* Refer to note 4 for the details of the restatement

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited year ended 30 June 2022 R'000
Balance at beginning of the period	3 445 885	3 255 724	3 255 724
Issue of share capital*	30	10	17
Share premium*	14 156	6 172	10 180
Vested Share-based awards*	(14 186)	(6 723)	(10 197)
Share-based awards reserve	5 970	2 533	13 860
Distributions to shareholders	(98 972)	(97 426)	(195 137)
Net profit for the period	127 827	155 495	315 341
Profit attributable to minorities	69 272	79 837	167 900
Changes in ownership interests in subsidiaries that do not result in loss of control	(83 560)	—	(13 023)
Distributions to non-controlling interests	(51 177)	(48 337)	(98 780)
Balance at end of the period	3 415 245	3 347 285	3 445 885

* During the period ending December 2022, 3 026 662 shares vested as follows:

- 663 342 shares were exercised at the weighted average price of R5.20 and the grant date price was R6.20;
- 943 333 shares were exercised at the weighted average price of R5.20 and the grant date price was R5.50; and
- 1 419 987 shares were exercised at the weighted average price of R5.20 and the grant date price was R3.30

At the end of the December 2022 period, 13 863 329 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.

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited year ended 30 June 2022 R'000
Net cash (utilised in)/generated from operating activities	(13 350)	235 591	527 018
Cash generated from operations	269 854	520 437	1 101 850
Net finance income	(29 343)	(29 677)	(61 317)
Distribution to shareholders	(150 149)	(145 763)	(293 917)
Dividends received	—	5 191	5 191
Tax and other payments	(103 712)	(114 597)	(224 789)
Net cash utilised in investing activities	(153 476)	(244 510)	(382 972)
Net additions to property and equipment	(43 425)	(59 421)	(98 856)
Net additions to intangible assets	(83 784)	(107 068)	(195 106)
Cash flows from disposal of subsidiaries	(3 629)	—	—
Net acquisitions of financial assets, investments and subsidiaries	(22 638)	(78 021)	(89 010)
Net cash (utilised in)/generated from financing activities	(115 779)	10 717	(208 266)
Net (settlement)/proceeds of borrowings	(7 175)	31 632	(124 703)
Changes in ownership interests in subsidiaries that do not result in loss of control	(83 560)	—	(13 023)
Net lease liability repayment	(25 044)	(20 915)	(70 540)
Effect of foreign exchange benefit	2 853	1 703	1 519
Net (decrease)/increase in cash and cash equivalents	(279 752)	3 501	(62 701)
Cash and cash equivalents at beginning of the period	136 239	198 940	198 940
Cash and cash equivalents at end of the period	(143 513)	202 441	136 239

EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS

	% change	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited year ended 30 June 2022 R'000
Number of ordinary shares in issue		578 814 585	576 007 920	576 711 257
Weighted average number of ordinary shares		577 419 033	575 112 918	575 878 754
Weighted average number of shares for diluted EPS		591 282 362	595 542 918	595 728 754
Basic earnings				
- From continuing operations		125 793	157 770	321 213
- From discontinued operations		—	(3 489)	(6 937)
Total basic earnings	(18,5)	125 793	154 281	314 276
Adjusted by:		(123)	222	2 863
- Reversal of loss on disposal of subsidiary		198	—	—
- Reversal of fair value losses		—	—	134
- Reversal of (gains)/losses on disposal of assets		(435)	434	4 550
- Reversal of scrapping of intangible assets		—	—	635
Tax effect of adjustments		64	(122)	(1 304)
Non-controlling interest effect of adjustments		50	(90)	(1 152)
Headline earnings	(18,7)	125 670	154 503	317 139
Earnings per share (cents)				
- Attributable to ordinary shares (cents)	(18,8)	21.79	26.83	54.57
- Continuing operations		21.79	27.43	55.78
- Discontinued operations		—	(0.61)	(1.20)
- Fully diluted EPS (cents)	(17,9)	21.27	25.91	52.75
- Continuing operations		21.27	26.49	53.92
- Discontinued operations		—	(0.59)	(1.16)
Headline earnings per share (cents)				
- Attributable to ordinary shares (cents)	(19,0)	21.76	26.86	55.07
- Fully diluted HEPS (cents)	(18,1)	21.25	25.94	53.24



NORMALISED EARNINGS (NON IFRS MEASURE)

	% change	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited year ended 30 June 2022 R'000
Heading earnings	(18.7)	125 670	154 503	317 139
Adjusted by:		10 757	310	7 298
– Less rental reversal		(41 842)	(38 211)	(75 805)
– Right of use asset depreciation		31 320	25 284	61 606
– Interest on lease liability		7 749	8 686	18 781
– Discontinued operations reversal		—	3 489	6 937
– Acquisition-related costs		12 200	—	—
Tax effect of adjustment		749	1 187	(1 283)
Non-controlling interest effect of adjustments		581	(125)	(2 938)
Normalised headline earnings	(11.9)	136 427	154 813	324 437
Normalised headline earnings per share (cents)				
– Attributable to ordinary shares (cents)	(12.2)	23.63	26.92	56.34
– Fully diluted HEPS (cents)	(11.2)	23.07	26.00	54.46

NOTES

NOTE 1: INTANGIBLE ASSETS

	Carrying value			Amortisation		
	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited year ended 30 June 2022 R'000	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited year ended 30 June 2022 R'000
Goodwill	1 558 496	1 564 269	1 558 496	—	—	—
AfroCentric Health	473 980	473 980	473 980	—	—	—
Pharmacy Direct and Curasana	473 954	473 954	473 954	—	—	—
Activo	424 645	424 645	424 645	—	—	—
DENIS	34 918	34 918	34 918	—	—	—
Activo Healthcare Assets	150 999	156 772	150 999	—	—	—
Intangible assets	1 505 818	1 550 803	1 517 840	(107 047)	(114 272)	(231 269)
Customer relationships – Pharmacy Direct and Curasana	16 127	25 076	20 601	(4 474)	(4 474)	(8 949)
Activo Dossiers	259 355	268 589	254 301	(8 750)	(7 884)	(17 259)
Customer relationships – DENIS	35 760	48 763	42 262	(6 502)	(6 502)	(13 003)
Activo Healthcare Assets Dossiers	161 411	180 894	161 124	(4 301)	(9 675)	(19 942)
AfroCentric Health intangible assets	229 169	234 399	207 960	(7 214)	(16 548)	(59 528)
AfroCentric Health PPA	18 690	20 672	14 695	(3 995)	(5 993)	(11 970)
AfroCentric Health software	210 479	213 727	193 265	(3 219)	(10 555)	(47 558)
Administration Systems – Self Generated	803 996	786 083	831 592	(75 807)	(63 098)	(83 144)
Nexus & Other Healthcare Administration Systems	803 996	786 083	831 592	(75 807)	(63 098)	(83 144)
Insurance Fraud Manager (Fraud Management Software)	—	6 999	—	—	(6 091)	(29 444)
	3 064 314	3 115 072	3 076 336	(107 047)	(114 272)	(231 269)

NOTE 2: BORROWINGS

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited year ended 30 June 2022 R'000
Borrowings (non-current)	523 907	687 417	531 082
Borrowings (current)	120 000	120 000	120 000
Total borrowings	643 907	807 417	651 082

NOTES continued

NOTE 3: NET CASH

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited year ended 30 June 2022 R'000
Cash and cash equivalents	155 157	202 441	138 589
Bank overdraft	(298 670)	—	(2 350)
Net cash	(143 513)	202 441	136 239

NOTE 4: RESTATEMENT OF DECEMBER 2021 RESULTS**Note 4.1 Split in consideration payable for the acquisition of Activo Healthcare Assets (Pty) Ltd**

In the December 2021 financial period, the Group had presented the deferred payment liability and the contingent consideration combined. The restatement has been performed to separately disclose the non-current contingent consideration and the current deferred payment liability.

The table below illustrates the impact of the restatement on the consolidated statement of financial position:

	December 2021 As previously reported R'000	Adjustment increase/ (decrease) R'000	December 2021 Restated R'000
Non-current liabilities	1 220 808	(13 328)	1 207 480
Deferred tax liabilities	286 153	—	286 153
Non-current provisions	8 350	—	8 350
Post-employment medical obligations	2 137	—	2 137
Lease liabilities	140 526	—	140 526
Borrowings	687 417	—	687 417
Contingent consideration	96 225	(13 328)	82 897
Current liabilities	816 840	13 328	830 168
Employment benefit provisions	93 259	—	93 259
Trade and other payables	516 231	—	516 231
Provisions	8 631	—	8 631
Current tax liabilities	11 058	—	11 058
Lease liabilities	67 661	—	67 661
Borrowings	120 000	—	120 000
Deferred payment liability	—	13 328	13 328
Total liabilities	2 037 648	—	2 037 648

Note 4.2 Classification of investment in Centriq Gap cover business

Subsequent to the initial recognition of the investment in Centriq Gap cover business it was established that the investment does not meet the definition of an insurance contract. Consequently the investment was classified as a financial asset measured at fair value through profit and loss in line with IFRS 9.

The table below illustrates the impact of the restatement on the statement of comprehensive income:

	December 2021 As previously reported R'000	Adjustment increase/ (decrease) R'000	Impact of representation of discontinued operations*	December 2021 Restated R'000
Revenue from contracts with customers	4 288 639	(3 599)	(15 399)	4 269 641
Fair value gain	1 101	3 599	—	4 700

The table below illustrates the impact of the restatement on the consolidated statement of financial position:

	December 2021 As previously reported R'000	Adjustment increase/ (decrease) R'000	December 2021 Restated R'000
	63 210	—	63 210
Other financial assets	30 006	33 204	63 210
Investment in Insurance Contracts	33 204	(33 204)	—

The table below illustrates the impact of the restatement on the consolidated operating performance (Non-IFRS measure):

	December 2021 As previously reported R'000	Adjustment increase/ (decrease) R'000	Impact of representation of discontinued operations*	December 2021 Restated R'000
Healthcare services revenue	2 128 640	(3 599)	(15 399)	2 109 642
Healthcare services operating profit	329 259	(3 599)	3 214	328 874
Fair value gain	1 101	3 599	—	4 700

* This relates to the required re-presentation of comparative periods as a result of the Group disposing of 74% of its investment in Private Health Administrators, effective 1 July 2022. Refer to Note 5 for the details of the disposal.

NOTES continued

NOTE 5: DISCONTINUED OPERATIONS

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

Subsidiary	Effective date of sale
Private Health Administrators Proprietary Limited	01-July-22

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

Note 5.1: Loss from discontinued operations excluding gains and losses from measurement or disposal are as follows:

	31 December 2021 R'000	30 June 2022 R'000
Revenue	15 399	29 353
Cost of sales	—	—
Gross profit	15 399	29 353
Other income	38	90
Depreciation	(48)	(161)
Right of use asset depreciation	(929)	(1 681)
Interest on lease liability	(299)	(573)
Lease reversal	963	1 681
Other expenses	(18 613)	(33 157)
Loss before tax	(3 489)	(4 448)
Income tax	—	(2 489)
Loss for the year	(3 489)	(6 937)
Other comprehensive income from discontinued operations	—	—
Total comprehensive income from discontinued operations	(3 489)	(6 937)

Note 5.2: Cash flows from discontinued operations

	31 December 2021 R'000	30 June 2022 R'000
Net cash generated from operating activities	72	10 760
Net cash (utilised in)/generated from investing activities	(48)	270
Net cash utilised in financing activities	—	(8 174)
	24	2 856
		1 July 2022 R'000
Proceeds on sale of subsidiaries		—
Less cash balances disposed		3 629
Net cash outflow on disposal of subsidiaries		(3 629)

Note 5.3: Details of the sale of the subsidiaries

	1 July 2022 R'000
Consideration received or receivable:	
Cash	—
Fair value of contingent consideration	3 946
Add fair value of remaining investment	1 757
Total disposal consideration	5 703
Carrying amount of net assets sold	5 901
Loss on sale	(198)
Income tax expense on loss	—
Loss on sale after income tax	(198)

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

	1 July 2022 R'000
Property, plant and equipment	539
Other financial assets	327
Right use of asset	6 304
Deferred tax asset	746
Trade and other receivables	7 283
Cash and cash equivalents	3 629
Total assets	18 828
Lease liability	7 580
Trade and other payables	4 111
Current tax liability	1 236
Total liabilities	12 927
Net assets sold	5 901
Non-distributable reserves	—
Carrying amount of net assets sold	5 901

SEGMENTAL ANALYSIS

	Growth December 2022/2021		31 December 2022		Operating margin %
	Revenue %	Operating profit %	Revenue R'000	Operating profit R'000	
Healthcare SA	1	9	1 912 185	153 920	8
Denis Group	4	2	281 685	17 406	6
Information Technology	1	(31)	325 470	89 533	28
Total SA administration business	1	(9)	2 519 340	260 859	10
Healthcare Africa	12	9	112 423	45 002	40
Total Group administration business	2	(7)	2 631 763	305 861	12
Healthcare Retail	-	(18)	2 154 694	136 287	6
Pharmacy Direct & Curasana					
Wholesaler	(5)	(21)	736 431	50 271	7
Activo Group	14	(5)	478 966	62 959	13
Scriptpharm	(4)	(31)	757 544	23 038	3
Mmed	5	(100)	181 753	19	-
Total Healthcare	1	(11)	4 786 457	442 148	9
Lease reversal adjustment	-	-	-	41 842	-
Other (including inter-segment elimination)	(2)	-	(464 312)	-	-
Total	1	(9)	4 322 145	483 990	11

	Growth December 2022/2021		31 December 2022		Net margin %	Total assets R'000
	Profit before tax %	Profit after tax %	Profit before tax R'000	Profit after tax R'000		
Healthcare SA	16	19	136 293	96 944	5	1 457 965
Denis Group	(11)	(17)	15 718	11 409	4	162 742
Information Technology	(118)	(118)	(7 181)	(5 470)	(2)	1 690 489
Total SA administration business	(17)	(18)	144 830	102 883	4	3 311 196
Healthcare Africa	11	11	43 338	33 377	30	170 120
Total Group administration business	(12)	(13)	188 168	136 260	5	3 481 316
Healthcare Retail	(25)	(25)	112 258	80 986	4	2 030 742
Pharmacy Direct & Curasana						
Wholesaler	(28)	(25)	40 013	29 732	4	902 771
Activo Group	(10)	(12)	50 753	35 622	7	661 475
Scriptpharm	(28)	(27)	27 214	19 860	3	235 613
Mmed	(1 007)	(719)	(5 722)	(4 228)	(2)	230 883
Total Healthcare	(17)	(18)	300 426	217 246	5	5 512 058
Other (including inter-segment elimination)	(20)	(16)	(29 478)	(22 802)	5	210 786
Total	(17)	(18)	270 948	194 444	4	5 722 844

	Operating profit December 2022 %	Operating profit December 2021 %	Operating profit December 2022 R'000	Operating profit December 2021 R'000
Composition of operating profit - % contribution				
Total SA administration business	63	61	302 701	325 861
Healthcare Africa	9	8	45 002	41 224
Healthcare Retail	28	31	136 287	167 029
	100	100	483 990	534 114

31 December 2021			30 June 2022		
Revenue R'000	Operating profit R'000	Operating margin %	Revenue R'000	Operating profit R'000	Operating margin %
1 890 727	141 467	7	3 761 078	290 058	8
269 858	17 043	6	556 647	67 595	12
321 860	129 140	40	673 735	269 869	40
2 482 445	287 650	12	4 991 460	627 522	13
100 693	41 224	41	210 125	84 656	40
2 583 138	328 874	13	5 201 585	712 178	14
2 159 999	167 029	8	4 403 131	336 267	8
774 217	63 375	8	1 514 546	108 354	7
421 960	66 373	16	929 411	156 837	17
790 970	33 170	4	1 567 695	59 638	4
172 852	4 111	2	391 479	11 438	3
4 743 137	495 903	10	9 604 716	1 048 445	11
-	38 211	-	-	75 805	-
(473 496)	-	-	(911 499)	-	-
4 269 641	534 114	13	8 693 217	1 124 250	13

31 December 2021			30 June 2022		
Profit before tax R'000	Profit after tax R'000	Net margin %	Profit before tax R'000	Profit after tax R'000	Net margin %
117 419	81 541	4	234 390	165 286	4
17 594	13 768	5	75 492	55 332	10
40 087	30 688	10	76 327	58 403	9
175 100	125 997	5	386 209	279 021	6
39 113	30 112	30	79 498	55 876	27
214 213	156 109	6	465 707	334 897	6
149 827	108 084	5	292 355	204 609	5
55 322	39 555	5	82 938	55 962	4
56 168	40 681	10	134 471	95 098	10
37 706	27 165	3	70 630	50 346	3
631	683	-	4 316	3 203	1
364 040	264 193	6	758 062	539 506	6
(36 743)	(27 075)	6	(78 421)	(50 829)	6
327 297	237 118	6	679 641	488 677	6

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 R'000	Health risk management fees – medical aid schemes R'000	Management fees R'000	Healthcare insurance R'000	IT revenue and other R'000	Retail R'000	Health risk management fees – Capitation funds R'000	Marketing fees R'000	Group total R'000
31 DECEMBER 2022									
Primary geographical markets									
South Africa	769 449	702 934	899	21 732	300 347	1 300 848	1 037 016	76 497	4 209 722
Outside of South Africa	94 845	8 737	872	—	7 969	—	—	—	112 423
	864 294	711 671	1 771	21 732	308 316	1 300 848	1 037 016	76 497	4 322 145
Major product/service line									
Admin health	864 294	—	—	—	308 316	—	—	76 497	1 249 107
Retail (Pharma)	—	—	—	—	—	1 300 848	—	—	1 300 848
Managed healthcare	—	711 671	1 771	21 732	—	—	1 037 016	—	1 772 190
	864 294	711 671	1 771	21 732	308 316	1 300 848	1 037 016	76 497	4 322 145
Timing of revenue recognition									
Products transferred at a point in time	—	—	—	—	—	1 300 848	—	—	1 300 848
Products and services transferred over time	864 294	711 671	1 771	21 732	308 316	—	1 037 016	76 497	3 021 297
	864 294	711 671	1 771	21 732	308 316	1 300 848	1 037 016	76 497	4 322 145
31 DECEMBER 2021									
Primary geographical markets									
South Africa	761 428	667 352	3 505	18 892	284 737	1 289 599	1 057 517	85 918	4 168 948
Outside of South Africa	84 291	8 321	815	—	7 266	—	—	—	100 693
	845 719	675 673	4 320	18 892	292 003	1 289 599	1 057 517	85 918	4 269 641
Major product/service line									
Admin health	845 719	—	—	—	292 003	—	—	85 918	1 223 640
Retail (Pharma)	—	—	—	—	—	1 289 599	—	—	1 289 599
Managed healthcare	—	675 673	4 320	18 892	—	—	1 057 517	—	1 756 402
	845 719	675 673	4 320	18 892	292 003	1 289 599	1 057 517	85 918	4 269 641
Timing of revenue recognition									
Products transferred at a point in time	—	—	—	—	—	1 289 599	—	—	1 289 599
Products and services transferred over time	845 719	675 673	4 320	18 892	292 003	—	1 057 517	85 918	2 980 042
	845 719	675 673	4 320	18 892	292 003	1 289 599	1 057 517	85 918	4 269 641
30 JUNE 2022									
Primary geographical markets									
South Africa	1 544 191	1 526 015	1 626	42 510	602 289	2 648 461	1 945 074	172 926	8 483 092
Outside of South Africa	172 364	16 997	1 653	—	19 111	—	—	—	210 125
	1 716 555	1 543 012	3 279	42 510	621 400	2 648 461	1 945 074	172 926	8 693 217
Major product/service line									
Admin health	1 716 555	—	—	—	621 400	—	—	172 926	2 510 881
Retail (Pharma)	—	—	—	—	—	2 648 461	—	—	2 648 461
Managed healthcare	—	1 543 012	3 279	42 510	—	—	1 945 074	—	3 533 875
	1 716 555	1 543 012	3 279	42 510	621 400	2 648 461	1 945 074	172 926	8 693 217
Timing of revenue recognition									
Products transferred at a point in time	—	—	—	—	—	2 648 461	—	—	2 648 461
Products and services transferred over time	1 716 555	1 543 012	3 279	42 510	621 400	—	1 945 074	172 926	6 044 756
	1 716 555	1 543 012	3 279	42 510	621 400	2 648 461	1 945 074	172 926	8 693 217

SUPPLEMENTARY INFORMATION OPERATING PERFORMANCE (NON-IFRS MEASURE)

	% change	Unaudited six months ended 31 December 2022 R'000	Restated* Unaudited six months ended 31 December 2021 R'000	Audited year ended 30 June 2022 R'000
Healthcare services revenue	2.7	2 167 451	2 109 642	4 290 086
Healthcare services operating costs	(4.5)	(1 861 590)	(1 780 768)	(3 577 908)
Healthcare services operating profit	(7.0)	305 861	328 874	712 178
Healthcare retail revenue	(0.2)	2 154 694	2 159 999	4 403 131
Healthcare retail cost of sales	0.8	(1 731 137)	(1 744 249)	(3 589 621)
Healthcare retail operating costs	(15.5)	(287 270)	(248 721)	(477 243)
Healthcare retail operating profit	(18.4)	136 287	167 029	336 267
Total healthcare operating profit (excluding lease reversals)	(10.8)	442 148	495 903	1 048 445
IFRS 16: Lease reversals	9.5	41 842	38 211	75 805
Total healthcare operating profit (including lease reversals)	(9.4)	483 990	534 114	1 124 250
Fair value gains		4 462	4 700	6 369
Other income		—	—	563
Impairment of assets and loans		—	(3 108)	(3 203)
Scrapping of intangible assets		—	—	(635)
Net finance and investment income		(34 826)	(29 416)	(60 834)
– Finance and investment income		9 085	7 402	14 996
– Finance costs: Lease liabilities		(7 749)	(8 686)	(18 781)
– Finance costs		(36 162)	(28 132)	(57 049)
Share-based payment expense		(5 970)	(2 626)	(13 848)
Share of profits from associates and joint ventures		5 325	4 378	6 991
Profit before depreciation and amortisation	(10.8)	452 981	508 042	1 059 653
Depreciation	(6.0)	(43 666)	(41 189)	(87 138)
Right of use assets depreciation	(23.9)	(31 320)	(25 284)	(61 606)
Amortisation of intangible assets	6.3	(107 047)	(114 272)	(231 269)
Profit before taxation	(17.2)	270 948	327 297	679 640
Taxation expense	15.2	(76 504)	(90 179)	(190 963)
Profit for the year from continuing operations	(18.0)	194 444	237 118	488 677
Loss from discontinued operations (Note 5)		—	(3 489)	(6 937)
Loss on disposal of subsidiary (Note 5)		(198)	—	—
Profit for the year	(16.9)	194 246	233 629	481 740
Other comprehensive income		2 853	1 703	1 501
Comprehensive net income for the year	(16.2)	197 099	235 332	483 241
Attributable to:				
Equity holders of the Parent		127 827	155 495	315 341
Non-controlling interest	(16.2)	69 272	79 837	167 900
		197 099	235 332	483 241

* Refer to note 4 for the details of the restatement

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, Roodepoort, 1709

Sponsor

Questco Corporate Advisory Proprietary Limited

Group Company Secretary

B Mokale

Group Investor Relations

G Dlamini

investor-relations@afrocentric.za.com

Tel: +27 11 671 2475

Directors

ATM Mokgokong** (Chairman)

MJM Madungandaba** (Deputy Chairman)

A Banderker*** (CEO)

JW Boonzaaier*** (CFO)

WH Britz**

FG Allen**

JB Fernandes* (Lead)

ND Munisi**

AM le Roux*

M Chauke*

K Mkhize**

* Independent Non-executive ** Non-executive *** Executive

www.afrocentric.za.com

