

# Summary of Audited Final Results and Dividend Declaration

FOR THE YEAR ENDED 30 JUNE 2016

↑  
24.55%

Group earnings

↑  
14.36%

Healthcare service revenue

↑  
20%

Dividend growth



A Member of AfroCentric Group



## SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited year ended 30 June 2016 R'000	Audited year ended 30 June 2015 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	2 190 076	991 080
Property and equipment	189 362	102 639
Investment property	15 000	15 000
Intangible assets (NOTE 1)	1 388 815	744 487
Available for sale investment	18 444	18 444
Listed investment (NOTE 2)	37 182	–
Managed funds and deposits	411 934	–
Investment in associates	24 477	14 873
Deferred income tax assets	104 862	95 637
<b>Current assets</b>	850 640	569 738
Trade and other receivables	365 004	228 884
Inventory	72 310	6 803
Current tax asset	19 821	–
Receivables from associates and joint venture	20 437	–
Cash and cash equivalents	373 068	334 051
Non-current asset held for sale (NOTE 2)	–	24 788
<b>Total assets</b>	3 040 716	1 585 606
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>	1 047 979	1 104 149
Issued ordinary share capital	18 686	17 821
Share premium (NOTE 3)	970 358	525 633
Conditional put option reserve (NOTE 4)	(727 960)	–
Share-based payment reserve	26 604	20 160
Treasury shares	(2 324)	(2 324)
Foreign currency translation reserve	7 027	2 204
Distributable reserve	755 588	540 655
Non-controlling interest	515 603	62 930
<b>Total equity</b>	1 563 582	1 167 079
<b>Non-current liabilities</b>	977 573	86 252
Deferred income tax liabilities	82 390	54 822
Non-current provisions	8 350	8 350
Post-employment medical obligations	2 691	3 134
Second tranche payment (NOTE 5)	134 893	–
Conditional Financial Obligation (NOTE 6)	727 960	–
Accrual for straight lining of leases	21 289	19 946
<b>Current liabilities</b>	499 561	332 275
Borrowings	–	61 224
Provisions	9 755	9 211
Trade and other payables	383 029	146 317
Taxation	–	4 418
Employment benefit provisions	106 777	111 105
<b>Total liabilities</b>	1 477 134	418 527
<b>Total equity and liabilities</b>	3 040 716	1 585 606

**NOTE 1**

	Carrying value 2016	Amortisation 2016	Amortisation 2015
<b>Intangible assets</b>			
Goodwill – WAD Acquisition	473 954	–	–
Goodwill – AfroCentric Health	398 124	–	–
Customer relationships – WAD Acquisition	81 282	(8 203)	–
AfroCentric Health intangible assets	435 455	(71 129)	(48 734)
AfroCentric Health intangible PPA	68 436	(13 811)	(15 951)
AfroCentric Health intangible Software	278 399	(39 062)	(28 589)
Insurance Fraud Manager (Fraud Management Software)	88 620	(18 256)	(4 194)
	1 388 815	(79 332)	(48 734)

The increase in intangible assets relates to the WAD Acquisition. Refer to supporting documentation on the AfroCentric website.

**NOTE 2**  
The investment in Jasco Electronics Holdings Limited is no longer categorized as assets held for sale.

**NOTE 3**  
The increase relates to the issue of 86.5 million shares amounting to R445 million for the acquisition of the WAD assets.

**NOTE 4**  
The recognition of the conditional put option reserve (R703 million) plus interest, an IAS 32 accounting adjustment, is as a result of certain terms contained in the SANLAM agreement.

**NOTE 5**  
26 192 902 shares to the value of R134.8 million will be issued to WAD vendors subject to certain profit thresholds being attained. These shares will be issued during 2017/2018 and the value thereof has already been anticipated by inclusion in Intangible Assets.

**NOTE 6**  
SANLAM acquired an effective 28.7% interest in AHA for R703 million in December 2015. The acquisition agreement provides for a performance warranty in AHL any breach of which entitles SANLAM to claim a maximum additional 4.3% interest in the shares of AHA in satisfaction of such claim. In the event that the claim calculates at an amount in excess of 4.3% SANLAM has a right to require ACT to repurchase the shares owned by SANLAM at SANLAM's initial cost plus interest at the 90 day deposit rate from the date of investment to the date of redemption. The Board do not expect such conditions to arise but International Accounting Standards (IAS 32) dictates the disclosure of such circumstances under Non-current liabilities rather than Capital and reserves.

## WAD BUSINESS COMBINATION

	Share price	Number of shares	R'000
Consideration paid	5.15	112 715 129	580 483
Fair value of net asset value			(106 529)
<b>Goodwill</b>			473 954

For more detail on the Business Combination (Effective 1 August 2015) refer to supporting documentation on the AfroCentric website.

## SEGMENTAL ANALYSIS

	Audited year ended 30 June 2016			Audited year ended 30 June 2015		
	Revenue R'000	Profit before taxation R'000	Total assets R'000	Revenue R'000	Profit before taxation R'000	Total assets R'000
Healthcare SA	2 066 327	195 075	3 328 479	1 913 529	227 581	2 013 236
Healthcare Africa	180 534	67 166	160 739	157 818	56 056	126 357
Healthcare Retail	748 477	46 310	238 198	–	–	–
Total Healthcare	2 995 338	308 551	3 727 416	2 071 347	283 637	2 139 593
Information technology	499 411	40 178	310 001	401 454	33 663	465 035
Other (including inter-segment elimination)	(346 603)	(52 582)	(996 701)	(374 489)	(37 942)	(1 019 022)
	3 148 146	296 147	3 040 716	2 098 312	279 358	1 585 606

## SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% change	Audited year ended 30 June 2016 R'000	Audited year ended 30 June 2015 R'000
Healthcare service revenue	14.36	2 399 669	2 098 312
Healthcare service operating costs		(2 055 514)	(1 726 240)
<b>Healthcare service operating profit</b>		344 155	372 072
Healthcare retail revenue		748 477	–
Healthcare retail cost of sales		(588 204)	–
<b>Healthcare retail gross profit</b>		160 273	–
Healthcare retail operating costs		(128 067)	–
<b>Total healthcare operating profit</b>		376 361	372 072
Impairment of assets		(21 469)	(36 697)
Net finance and investment income		54 924	18 802
– Finance and investment income		59 471	28 799
– Finance cost		(4 547)	(9 997)
Share-based payment expense		(6 444)	(9 395)
Share of associate profits		10 118	19 037
<b>Profit before depreciation and amortisation</b>		413 490	363 819
Depreciation	13.65	(38 011)	(35 727)
Amortisation of intangible assets (NOTE 1)		(79 332)	(48 734)
<b>Profit before income taxation</b>		296 147	279 358
Taxation expense		(77 573)	(100 584)
<b>Profit for the year after taxation</b>		218 574	178 774
Other comprehensive income		5 029	753
<b>Comprehensive net income for the year</b>	24.55	223 603	179 527
<b>Attributable to:</b>			
Equity holders of the Parent		170 280	154 785
Total tax effects of adjustments		53 323	24 742
Non-controlling interest		223 603	179 527

## EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS

	% change	Audited year ended 30 June 2016 R'000	Audited year ended 30 June 2015 R'000
Number of ordinary shares in issue	18.49	554 377 328	467 855 101
Weighted average number of ordinary shares	18.19	552 958 931	467 855 101
Weighted average number of shares for diluted EPS (anticipating the Second Tranche issue of shares)		579 151 833	467 855 101
<b>Basic earnings</b>		170 280	154 785
Adjusted by:		11 876	24 989
– Reversal of impairment		21 469	36 697
– Loss on disposal of assets		245	186
Total tax effects of adjustments		(1 429)	(10 327)
Total NCI effects of adjustments		(8 409)	(1 567)
<b>Headline earnings</b>		182 156	179 774
<b>Earnings per share (cents)</b>			
– Attributable to ordinary shares (cents)		30.79	33.08
– Diluted earnings per share (cents)		29.40	33.08
<b>Headline earnings per share (cents)</b>			
– Attributable to ordinary shares (cents)		32.94	38.43
– Diluted earnings per share (cents)		31.45	38.43

## SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	% change	Audited year ended 30 June 2016 R'000	Audited year ended 30 June 2015 R'000
Cash generated from operations		393 851	396 996
Net finance income		27 839	18 802
Distribution to shareholders		(131 485)	(145 445)
Dividend received		4 112	1 841
Tax and other payments		(102 584)	(92 958)
Net cash inflow from operating activities		191 733	179 236
Net cash outflow from investing activities		(645 465)	(138 902)
Net cash inflow from financing activities		487 926	(96 599)
Effect of foreign exchange benefit		4 823	867
<b>Net increase in cash and cash equivalents</b>		39 017	(55 398)
Cash and cash equivalents at beginning of the period		334 051	389 449
<b>Cash and cash equivalents at end of the period</b>	11.68	373 068	334 051

## SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Audited year ended 30 June 2016 R'000	Audited year ended 30 June 2015 R'000
<b>Balance at beginning of the period</b>	1 167 079	1 123 602
Issue of share capital	445 590	–
Share-based awards reserve	6 444	9 395
Net profit for the year	170 280	154 785
Profit attributable to minorities	53 323	24 742
Sanlam investment	703 000	–
Premium on subscription	246 738	–
Changes in ownership	456 262	–
Conditional Financial Obligation	(727 960)	–
AHL minorities share buy-back	(122 164)	–
Increase in shareholding of Klinikka	(525)	–
Distribution to shareholders	(121 963)	(130 999)
Distribution to minorities	(9 522)	(14 446)
<b>Balance at end of the period</b>	1 563 582	1 167 079

## COMMENTARY

### INTRODUCTION

The Board of AfroCentric is pleased to present the Group's audited results for the year ended 30 June 2016, a watershed year in many respects, given the number of corporate actions which occurred and the material growth in principal members of Medical Schemes administered by the Group. These positive events, substantially occurring in parallel, demanded diligent management focus, including considerable capacity building and systems development in anticipation of the new scale of Group operations. In addition, an enormous management effort was required to ensure the seamless registration of 175 667 new principal members of the South African Police Service Medical Scheme ("POLMED"), an administration and managed care contract, the preparation for which started during August 2015, but operationally only commenced on 1 January 2016. AfroCentric was also delighted to finalise SANLAM's acquisition in subsidiary, ACT Healthcare Assets ("AHA"), a premium partnership designed *inter alia*, to broaden SANLAM's client choices in healthcare and healthcare products. In addition, 2016 was the first period of ownership of Pharmacy Direct and Curasana, ("WAD Assets"), enterprises of significance, the integration process being reasonably seamless, but nevertheless requiring a review of divisional authority within the group and management reorganisation.

### 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 provisional reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of 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 the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the consolidated annual financial statements.

Subsequent events and related parties are not material.

### NATURE OF BUSINESS

AfroCentric is a JSE listed investment holding company which operates in and provides services to the healthcare sector. AfroCentric is one of very few JSE listed companies that is black owned and controlled, fulfilling the Group's principal philosophy of transformation and empowerment. The Group enjoys a Level 2 B-BBEE rating, based on the weighted score and is also the most empowered healthcare-related enterprise on the JSE. AfroCentric's core business is to provide health administration and health risk management solutions to its Medical Scheme clients. Through other speciality competences within its integrated network of health services, AfroCentric provides a range of complementary services which include, *inter alia*, information technology ("IT") solutions; fraud detection, transactional switching; specialised disease management; pharmaceutical wholesaling and courier distribution services. AfroCentric continues to seek new and expansion opportunities in the healthcare sector that are aligned with Group strategy and are likely to contribute to the health and welfare of South African communities.

### OTHER HIGHLIGHTS OF THE YEAR

- Level 2 B-BBEE status achieved for the fourth successive year, based on the revised codes.
- Medscheme appointed as health administrator and health risk management provider to POLMED.
- BHF member of the year.
- Medscheme achieved the Service Excellence award for Health Administration and Health Risk Management from the BHF.
- Medscheme Swaziland (Swaziland Medical Scheme) received the PMR Diamond Arrow Award for the best Medical Scheme in the country for the second consecutive year.
- AfroCentric Health (AHL) repurchased the 5.9% minority interest held by its minority shareholders, the effect being that AHA now owns 100% of AHL. SANLAM owns 28.7% of AHA.

### FINANCIAL PERFORMANCE

Given the positive nature and extent of the corporate actions and activities during the year, management in each business unit were continually under pressure, to ensure the seamless integration of the new and/or expanded operations without compromising service levels. In the event, management were able to rise to the challenge and their efforts are revealed in certain key financial statistics disclosed herein. It is common cause that AfroCentric and most other companies in South Africa, have unfortunately had to endure a consistently difficult and unstable economy, often punctuated by discordant politics and further affected by volatile currency conversion rates. In such prevailing circumstances, the results for the 2016 year, are regarded by the Board as highly satisfactory.

Comprehensive Net Income for the year increased by 24.55%, notwithstanding that early costs incurred in preparation for the Polmed contract have been absorbed. Income arising through Polmed, is only reflected for the latter six months of the year. The dilution through the issue of 86.5 million AfroCentric ordinary shares to the vendors of the WAD assets, including the dilution arising from the sale to SANLAM of 28.7% of the shares in AHA, all occurring during the year, earnings per share and headline earnings per share only reduced by 6.92% and 14.27% respectively. The WAD asset acquisitions performed as expected and the future WAD earnings, including the contributions expected through the SANLAM relationship, suggest that both business relationships will be earnings enhancing.

### OPERATIONAL REVIEW

The following expenditure items were incurred during the year which are substantially regarded as non-recurring expenditure, all of which have adversely impacted on the Group's earnings:

- Transaction and advisory costs relating to both the WAD assets and SANLAM of R11.5 million.
- Legal costs on the Neil Harvey and Associates matter of R10.8 million
- Road Accident Fund (RAF) contract losses of R16.7 million
- Executive service contract settlement costs of R20.2 million.

### PROSPECTS

During this past financial year, AfroCentric has successfully admitted, merged and/or integrated a number of commercial concerns, associates and new clients into the Group enterprise. These initiatives, in certain cases, required an early investment in capacity and infrastructure, were highly demanding of management, the reward however, being a broader beneficial spread of synergistic health sector interests. All of these enhancing health related steps were concluded with, or in association with, well known and respectable institutions, equally committed to the same objective of enabling easier healthcare access and more affordable delivery. The Group's growth, its BEE status and its regular industry award winning competencies, have attracted significant market interest, evidenced earlier this year by Group subsidiary, Medscheme, appointed as administrators to POLMED and more recently, being approved administrators of the LMS Medical Fund with 110 000 lives (previously Liberty Medical Scheme), awaiting merger approval with Bonitas Medical Fund. All of this positive growth events are likely to add value to Group revenues in the future, hopefully to be translated into an enhanced level of earnings going forward. The Group is substantially debt free, is more than adequately capitalized, is systematically improving and increasing its IT capacity and will continue to seek related earnings enhancing acquisitions and partnerships. AfroCentric also stands ready and receptive to facilitate and participate in medical scheme consolidation which is seemingly taking place in the sector at this time. Notwithstanding the current market volatility and general economic challenges facing South Africa, the Board remains cautiously optimistic in the group's growth prospects.

### DIRECTORS AND OFFICERS

The variety of corporate actions which became effective during the year under review, inevitably saw several changes occurring, both in Executive management appointments and on the Board of Directors. Having regard thereto, the following changes took place during the year, in certain respects, reflecting the fulfilment of certain contractual undertakings.

- Mr WRC Holmes retired as Executive Director and Group Chief Financial Officer effective 1 August 2015.
- Mr D Dempers stepped down as Group Chief Executive Officer on 15 December 2015.
- Mr D Dempers resigned as an Executive Director effective 2 June 2016.
- Mr JW Boonzaier was appointed as an Executive Director and Group Chief Financial Officer effective 1 August 2015.
- Mr AV Van Buuren was appointed as an Executive Director and Group Chief Executive Officer effective 16 March 2016.
- Mr WH Britz was appointed as an Executive Director effective 1 August 2015.
- Ms LL Dhlamini was appointed as an Independent Non-executive Director and a member of the Audit and Risk Committee effective 2 December 2015.
- Dr ND Munisi was appointed as a Non-executive Director effective 7 December 2015.
- Mr IM Kirk was appointed as a Non-executive Director effective 15 December 2015.
- Mr A Banderker was appointed as a Non-executive Director effective 15 December 2015.
- Ms Y Masithela resigned as an Independent Non-executive Director effective 15 September 2016.

### DIVIDENDS

The Board of Directors has pleasure in announcing that in addition to the interim dividend of 12 cents per share already declared and paid during the year, a final dividend of 12 cents per ordinary share (gross) has been declared for the year ended 30 June 2016. Dividends are subject to Dividends Withholding Tax. In accordance with the provisions of the JSE Listings Requirements, the following additional information is disclosed.

- The dividends have been declared out of profits available for distribution.
- The local Dividends Withholding Tax rate is 15%.
- The gross dividend amount is 12 cents per ordinary share.
- The net cash dividend amount is therefore 10.2 cents per ordinary share.
- The company has 554 377 328 ordinary shares in issue as at 30 June 2016.
- The company's income tax reference number is 9600/148/71/3.

The salient dates relating to the ordinary dividend are as follows:

Last day to trade cum dividend	Tuesday, 8 November 2016
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