

 **45.88% Profit before tax**

 **25.51% Total revenue**

 **16.66% Dividends**

## INTRODUCTION

The Board is pleased to present the interim results of the AfroCentric Group for the six months ended 31 December 2016. Reference to the commentary for the previous corresponding reporting period, will reveal the number of determining corporate actions at that time, including new clients taken on during that reporting period. The Board is therefore pleased to record, that each of those events, has not only contributed towards the Group's overall profitability in this period, but has almost enabled the Group, within a year, to exceed the dilution in earnings impact, arising on the subscription by Sanlam for 28.7% ("the Sanlam subscription") of the shares in ACT Healthcare Assets (Pty) Ltd ("AHA") and the WAD acquisition through the issue of AfroCentric shares.

Profits before tax increased by 45.88% for the period under review amounting to R219.8 million (2015: R150.7 million). Profits after tax (PAT) increased by 39.85%, a satisfying result through great effort and efficient control by the Group's management and staff. Earnings per share and headline earnings per share decreased marginally in this period by 1.61% and 4.86% respectively, substantially as a result of the immediate dilutionary impact of the Sanlam subscription.

## SALIENT FEATURES

	Unaudited six months ended 31 December 2016	Unaudited six months ended 31 December 2015	% Change
Basic earnings (rands)	98.0 million	99.2 million	(1.16)
Headline earnings (rands)	95.5 million	99.8 million	(4.33)
Basic earnings (cents per share)	17.69	17.98	(1.61)
Headline earnings (cents per share)	17.22	18.10	(4.86)
Profit before income tax	219.8 million	150.7 million	45.88

## CONDITIONAL PUT OPTION OBLIGATION

Sanlam subscribed for 28.7% of the shares in AHA during the 2016 financial year for the sum of R703 million. A suspensive term of the transaction included inter alia, that AfroCentric achieve a minimum threshold of profit (as defined) for the year ending 30 June 2017 ("the profit warranty").

In the event that such 2017 warranted profit threshold is not achieved, several adjusting share allocation elections become available to Sanlam, including, in certain circumstances, Sanlam's right to put the 28.7% share interest in AHA back to the company at cost plus interest, from the date of the subscription payment, to the date the put option is exercised.

Given an error in the accounting treatment of interest accrued under the aforesaid conditional put option obligation, the Audited June 2016 results have been restated to provide for the interest charge (R25 million) now through the Statement of Comprehensive Income and not as previously endorsed, through an interest adjustment direct to equity. The required interest accrual (R23 million) has similarly been provided through the Statement of Comprehensive Income for this interim period.

While the profit warranty threshold will only be measured after 30 June 2017, the Board is satisfied that, absent a material adverse event occurring in the Group during the next three-month period, it is expected that the profit warranty threshold will be exceeded, resulting in the last of the Sanlam suspensive transactional conditions becoming academic and the Sanlam subscription price of R703 million, which formed the basis of the conditional put and reserve obligations will be cancelled.

It is important to note that should this cancellation become applicable, interest accrued on the put option obligation will, in terms of IFRS, not be reversible through the Statement of Comprehensive Income, but credited directly to Equity. Shareholders should be mindful therefore, that in such circumstances, no further restatements will become necessary to restore the adverse effect of these present and prior conditional interest costs.

## DEVELOPMENTS

Having regard to certain of the actions and events already referred to herein, a brief summary of related progress in each case is provided hereunder.

Apart from the comprehensive range of services provided in the normal course to the Group's respected and existing client base, management were able to professionally and efficiently capture the data and competently provide the administration under the "new Polmed contract", including completing the sizeable task on the amalgamation of the Liberty Medical Scheme into Bonitas. Both of these were significant events, with considerable investment demands. The investment appropriations in each case, were made in anticipation of growth in net revenues, further overhead rationalisation, not unexpected through the greater economies of scale.

The introduction of the Group's Insurance Fraud Manager (IFM) software from FICO during the period under review, has also proved to be a game changer within the Group's portfolio of clients, by identifying fraudulent conduct by members and providers, detecting waste and abuse within each of the client Medical Schemes, at the same time, contributing to the Group's revenues under a variety of fee structures reciprocally beneficial to the Group's clients and the company.

Pharmacy Direct has also made impressive progress in the subject period, by successfully securing further contracts for the delivery of chronic medication to patients, now in seven provinces of South Africa (previously five provinces). This contract has and continues to be efficiently managed, with growth in scripts for dispensing and distribution having doubled during the past twelve months.

## PROSPECTS

While the economic environment within South Africa remains somewhat volatile and uncertain, AfroCentric remains confident in pursuing its interest in welcoming and facilitating the current market inclination towards medical administration consolidation. The Group also continues its objectives to acquire new and expand existing healthcare enterprises, so as to broaden its participation in the healthcare sector, ideally under a template of a widening market and better patient affordability.

AfroCentric has over the years, established a secure foundation for the future and its partnerships with Sanlam and others, present a sound model for sustainability, somewhat dependent on the progress and growth of the South African economy, including its political stability, with similar criteria being relevant and applicable in other targeted destinations in Africa.

## DIVIDEND DECLARATION

The Board has pleasure in announcing that an interim dividend of 14 cents per ordinary share (gross) has been declared for the six months ended 31 December 2016. Dividends are subject to Dividends Withholding Tax. The payment date for the dividend is Monday, 15 May 2017. This interim dividend will constitute part of the Group's annual dividend, to be considered in due course with the results for the year ending on 30 June 2017. For further details on the dividend declaration, refer to the full announcement on AfroCentric's Website ([www.afrocentric.za.com](http://www.afrocentric.za.com)).

## FULL ANNOUNCEMENT

The content of this short form announcement is the responsibility of the Board of Directors. Shareholders are advised that this short form announcement represents a summary of the information contained in the full announcement, published on the Stock Exchange News Service ("SENS") and on AfroCentric's website ([www.afrocentric.za.com](http://www.afrocentric.za.com)) on 28 March 2017. Any investment decisions should be made based on consideration of the full announcement.

Any reference to the Group's future financial performance has not been reviewed or reported on by the Group's external auditors.

On behalf of the Board



**Dr ATM Mokgokong**  
Chairperson

Johannesburg  
27 March 2017



**Mr AV Van Buuren**  
Group Chief Executive Officer

## FINANCIAL HIGHLIGHTS (comparative 6 month analysis)

