AfroCentric Investment Corporation Limited

(Incorporated in the Republic of South Africa)
(Registration number 1988/000570/06)
JSE Code: ACT, ACTP
ISIN: ZAE 000078416, ZAE 000082269
("AfroCentric" or "the Company" or "the Group")

AUDITED GROUP RESULTS

FOR THE YEAR ENDED 30 JUNE 2010

HEADLINES

- Profit of core operations 120% ↑
- Headline earnings 131% ↑
- Headline earnings per share 62% ↑
- Proposed maiden distribution per share 7,5 cents ↑

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group Audited 2010 R'000	Audited 2009 R'000
Continuing operations		
Revenue	**1 356 331**	519 867
Other income	**23 425**	8 325
Net finance (costs)/income	**(2 350)**	8 097
Finance income	**20 251**	17 794
Finance costs	**(22 601)**	(9 697)
Administration expenses, other costs and charges	**(1 300 045)**	(478 916)
Impairment of investments and intangibles	**(75 718)**	–
Net income from operations	**1 643**	57 373
Share of profit of associates	**14 017**	9 151
Profit before tax	**15 660**	66 524
Income tax expense	**(18 027)**	(13 607)
(Loss)/profit for the year from continuing operations	**(2 367)**	52 917
Loss for the year from discontinued operations	**(847)**	(2 379)
(Loss)/profit for the year	**(3 214)**	50 538
Other comprehensive income	**–**	–
Total comprehensive (loss)/income for the year	**(3 214)**	50 538
Attributable to:		
Equity holders of the Company	**(7 413)**	34 701
Minority interest	**4 199**	15 837
	(3 214)	50 538

DISCLOSURES OF KEY OPERATING PERFORMANCE

	% change	Group 2010 R'000	2009 R'000
Revenue		**1 356 331**	519 867
Other income		**23 425**	8 325
Administration expenses and other costs		**(1 251 044)**	(478 916)
Net finance (costs)/income		**(2 350)**	8 097
Finance income		**20 251**	17 794
Finance costs		**(22 601)**	(9 697)
Profit of core operations	120	**126 362**	57 373
Share of profit of associates		**14 017**	9 151
Profits before charges set out below		**140 379**	66 524
Impairments, amortisation and restructuring costs		**(124 719)**	–
Impairment of investment		**(67 313)**	–
Impairment of intangible assets		**(8 405)**	–
Amortisation of intangible assets		**(30 291)**	–
Retrenchment and restructuring costs		**(18 710)**	–
Profit before tax		**15 660**	66 524
Income tax expense		**(18 027)**	(13 607)
(Loss)/profit for the year from continuing operations		**(2 367)**	52 917
Loss for the year from discontinued operations		**(847)**	(2 379)
(Loss)/profit for the year		**(3 214)**	50 538

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group Audited 2010 R'000	Audited 2009 R'000
ASSETS		
Non-current assets	**958 794**	1 000 008
Property, plant and equipment	**125 311**	110 639
Investment property	**8 543**	–
Intangible assets	**576 438**	600 151
Unlisted investments	**280**	280
Investment in associates	**69 788**	127 435
Investment in preference shares	**100 000**	100 000
Deferred income tax assets	**78 434**	61 503
Current assets	**216 871**	228 411
Trade and other receivables	**80 123**	156 215
Receivables from associates and joint venture	**14 224**	6 642
Cash and cash equivalents	**122 524**	65 554
Non-current assets held-for-sale	**–**	515 288
Total assets	**1 175 665**	1 743 707
EQUITY AND LIABILITIES		
Capital and reserves	**620 286**	622 021
Issued capital	**389 440**	382 528
Contingent shares to be issued	**188 540**	188 540
Share based payment reserve	**–**	624
Treasury shares	**(610)**	–
Distributable reserves	**42 916**	50 329
Minority interests	**21 777**	31 939
Total equity	**642 063**	653 960
Non-current liabilities	**306 575**	349 128
Deferred income tax liabilities	**42 443**	66 532
Borrowings	**162 072**	160 350
Provisions	**66 067**	79 048
Post-employment medical obligations	**3 866**	3 930
Accrual for straight lining of leases	**32 127**	39 268
Current liabilities	**227 027**	318 195
Borrowings	**–**	11 176
Trade, payables and provisions	**126 893**	174 169
Taxation	**3 224**	15 037
Bank overdraft	**7 987**	53 661
Employment benefit provisions	**88 923**	64 152
Non-current liabilities held-for-sale	**–**	422 424
Total equity and liabilities	**1 175 665**	1 743 707

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Group Audited 2010 R'000	Audited 2009 R'000
Balance at 30 June 2009	**653 960**	212 348
Issue of share capital	**6 912**	185 808
Contingent shares to be issued – profit warranty	**–**	188 540
Net (loss)/profit for the year	**(3 214)**	50 538
Share of minorities' interest purchased	**(14 361)**	–
Acquisition of subsidiary	**–**	17 953
Treasury shares issued	**(610)**	–
Dividends paid	**–**	(1 851)
Revaluation of share based payment – equity settled	**(624)**	624
Balance at 30 June 2010	**642 063**	653 960

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Group Audited 2010 R'000	Audited 2009 R'000
Net cash generated from operating activities	**115 834**	47 223
Net cash outflow from investing activities	**(68 554)**	(165 667)
Net cash (outflow)/inflow from financing activities	**(8 782)**	179 225
Net cash flow from continuing operations	**38 498**	60 780
Net cash flow from discontinued operations	**–**	9 951
Net increase in cash and cash equivalents	**38 498**	70 731
Cash and cash equivalents at beginning of year	**76 039**	5 308
Cash and cash equivalents at end of year	**114 537**	76 039
Reconciled as follows:		
Cash and cash equivalents on hand	**122 524**	65 554
Bank overdraft	**(7 987)**	(53 661)
Assets held for sale	**–**	64 146
	114 537	76 039

NUMBER OF SHARES

	Group Audited 2010 R'000	Audited 2009 R'000
Number of ordinary shares in issue	**262 432 568**	257 999 496
Number of preference shares in issue	**16 638 000**	16 638 000
Weighted average number of ordinary shares	**259 670 381**	182 627 122
Weighted average number of ordinary shares, inclusive of ordinary shares on preference share conversion	**305 199 704**	208 030 900

RECONCILIATION OF HEADLINE EARNINGS

	% change	Group Audited 2010 R'000	Audited 2009 R'000
(Loss)/profit attributable to equity holders of the company		**(7 413)**	34 701
Loss from discontinued operations		**847**	–
Basic earnings		**(6 566)**	34 701
Adjusted by			
Shareholders for dividends write off		**(185)**	–
Impairment of property, plant and equipment		**5 020**	–
Impairment of intangible assets		**8 405**	–
Impairment of goodwill		**–**	287
Impairment of investment in associate		**67 313**	–
Minority interest		**4 199**	–
Loss on disposal of property, plant and equipment		**–**	154
Loss from discontinued operation		**(847)**	1 600
Headline earnings	131	**77 339**	33 542
Basic earnings per share (cents) attributable to ordinary shares		**(2,53)**	19,00
Diluted basic earnings per share (cents)		**(2,15)**	16,68
Headline earnings per share (cents) attributable to ordinary shares	62	**29,78**	18,37
Diluted headline earnings per share (cents)	57	**25,34**	16,12

INTRODUCTION

The Board of Directors has pleasure in presenting the audited results for the fiscal year ended 30 June 2010.

South African businesses have not been immune to the volatile economic conditions affecting global markets. During fiscal 2010 AfroCentric's portfolio companies responded to their market challenges in a proactive and deliberate manner. These actions have preserved the businesses' sound commercial foundations and allowed AfroCentric to maintain a satisfactory growth trend of core earnings. This is most evident in the growth in headline earnings per share for the year under review and the growth in operating profit of core business units. The Board Investment Committee's strict compliance with its prescribed investment discipline resulted in no material investments being approved during this past year of uncertainty, the Board preferring to focus on guiding management in seeking to enhance and optimise the performance of the businesses under their control.

ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed consolidated group financial statements for the year ended 30 June 2010 are prepared in accordance with International Financial Reporting Standards ("IFRS"), International Accounting Standard 34, AC 500 Standards, as issued by the Accounting practices Board, the JSE Limited Listings Requirements and the South African Companies Act 61 of 1973 as amended. The condensed consolidated group financial statements are prepared on the historical cost basis and are consistent with the accounting policies applied for the year ended 30 June 2009 in terms of IFRS.

NATURE OF BUSINESS

AfroCentric is a black owned investment holding company; its major investments being in private healthcare, electronics, power and the communications industries. AfroCentric also has an agreement of co-operation with Rio Tinto Plc for mineral prospecting and exploration projects, and with Hanwha Corporation of Korea for the supply and distribution of certain capital equipment.

OPERATIONAL REVIEW

In February FY2009 AfroCentric acquired a controlling interest in Lethimvula Investments Limited ("LIL"). LIL's wholly- owned subsidiary, Medscheme, is the largest, black-owned, independent medical aid administrator and health risk solutions provider in South Africa. LIL's full year performance contributed towards the increase in operating profits in AfroCentric to R126,4 million from R57,4 million in 2009. This performance is consistent with the due diligence exercise and shareholders are reminded that in terms of the LIL acquisition agreement, the vendors of shares in LIL have warranted profits after tax for the years ending 30 June 2011, 2012 and 2013 at an average of R180 million.

In the December 2009 interim report, we reported certain alleged breaches of governance by Medscheme associated with Bonitas Medical Fund. Since that date, a letter has been received from Deloitte which states inter alia that any comments which may have been interpreted to suggest a breach of governance is contrary to what was envisaged by Deloitte in the report. Our confidence in Medscheme and its management is further supported by the renewal of Medscheme's accreditation by the Council for Medical Schemes, with the "Bonitas Unit" having achieved an ISO 9001: 2008 certification for quality. Medscheme has also, for the second consecutive year, achieved the highest overall scores across all three of PMR.africa's medical scheme-related surveys.

During the year under review, and in line with its stated intention, AfroCentric continued to acquire shares from LIL shareholders who offered their shares for sale. This has to date enhanced AfroCentric's shareholding in LIL to 87,53% (FY2009: 83,8%).

The performance of Jasco Electronics Holdings Limited (Jasco) was less impressive, contributing attributable earnings of R8,7 million (FY2009: R7,6 million) and preference dividends of R8,3 million (FY2009: R11,4 million). Jasco's diversified business units allowed it to remain profitable through the economic downturn. The electrical and domestic products divisions performed well in the past year after an unremarkable performance in 2009. Infrastructure-dependent divisions, in power, telecommunications and security, experienced challenges through the year but are likely to recover in tandem with infrastructure spending cycles. AfroCentric's investment in Jasco Cables preference shares yielded lower dividend income, owing to a reduced interest rate environment during the year. The subdued performance of Jasco's share price over the past year has necessitated that the investment be impaired according to IAS36.

AfroCentric's exploration and prospecting projects in association with Rio Tinto Plc continue to progress in terms of the Reciprocal Strategic Co-Operation Agreement. Most promising is a nickel prospect in the North West Province, which is being assessed for strike length and thickness.

FINANCIAL RESULTS

AfroCentric's core operating profits increased by 120% from R57,4 million in 2009 to R126,4 million in 2010. Shareholders are referred to the AfroCentric circular distributed to LIL shareholders dated 27 February 2009. Paragraph 19 of that circular, captioned "Material Changes", records reference to the agreements concluded by LIL for the acquisition of Old Mutual Healthcare (Proprietary) Limited ("OMHC") and at the same time, but independently, the disposal by LIL subsidiary, Medscheme Limited, of its interest in Medscheme Life Assurance Limited to Old Mutual South Africa Limited. The regulatory approvals for these transactions were received towards the end of the 2009 financial year and during the 2010 financial year. Accordingly, in terms of IFRS 3, restructuring and retrenchment costs are recognised in the consolidated income statement in the 2010 financial year.

Having regard to the earlier references on restructuring and retrenchment costs and certain other amortisation and impairment charges in the normal course, including the mark-to-market adjustment on the Jasco investment, the Group's basic reported earnings per share ("EPS") declined from 19,00 cents in 2009 to a loss of 2,53 cents in 2010 and the diluted basic EPS declined from 16,68 cents in 2009 to a loss of 2,15 cents in 2010.

However, headline earnings per share ("HEPS"), which excludes certain impairment and amortisation charges more fully described in the financial disclosures, increased by 62% from 18,37 cents in 2009 to 29,78 cents in 2010. A similar pattern is observed in the diluted HEPS which increased by 57% from 16,12 cents in 2009 to 25,34 cents in 2010.

PROSPECTS

The Board of Directors is satisfied with the progress of AfroCentric for the past year and the Group's sound platform for future earnings. During the past three months, there seems to be a greater degree of business confidence developing in South Africa and the Board Investment Committee will continue to consider new investment propositions that are presented.

While trends are encouraging, it is too early to judge whether the growth in earnings and the profit warranty thresholds in the LIL acquisition will be fulfilled. In the meantime, LIL continues to trade in a robust manner and consistent with our estimates and expectations at the time of acquisition.

DIRECTORS

The AfroCentric Board of Directors appointed Dr Anna Mokgokong and Mr Joe Madungandaba to the Board as non-executive directors in 2010. Dr Mokgokong and Mr Madungandaba are successful entrepreneurs who represent Community Investment Holdings, a large shareholder of AfroCentric. Their esteemed inclusion on the AfroCentric Board will enhance strategic thinking and guidance, particularly in the consideration of future BEE transactions. Mr Wallace Holmes was appointed Financial Director, taking over that responsibility from Mr Michael Sacks, who continues to serve as secretary, a non-executive director and a member of the Board Investment Committee. Ms Nomhle Canca, Professor Derek Swartz and Mr Mandla Gantsho resigned from the Board in 2010. The directors wish to express their gratitude for their contribution to the development and success of AfroCentric since its inception.

DISTRIBUTIONS

The Board of Directors has proposed the Group's maiden distribution in the form of a capital reduction out of share premium of 7,5 cents per ordinary share, subject to shareholder approval at the annual general meeting. Preference shareholders participate in distributions on the basis that they are entitled to 15% of the aggregate distribution payable to preference and ordinary shareholders. All the salient dates and times for the ordinary shares and the preference shares will be announced once the annual general meeting has been held and shareholders' approval has been given.

AUDITOR'S REPORT

The Auditors, SizweNtsaluba VSP have issued an unqualified audit report and a copy is available for inspection at the Company's registered office.

By order of the Board

MI Sacks CA(SA), AICPA(ISR)
Company Secretary

Johannesburg
28 September 2010

Directors
NB Bam* (Chairperson), WRC Holmes, MJM Madungandaba**, Dr ATM Mokgokong**
JM Kahn*, MI Sacks**#, B Joffe*
*independent non-executive
**non-executive
#company secretary

Registered Office
10 Muswell Road South,
Bryanston, 2191

Sponsor
Sasfin Capital
(A division of Sasfin Bank Limited)

SEGMENTAL ANALYSIS

	Audited 2010			Audited 2009		
	Revenue R'000	**Profit before tax R'000**	**Total assets R'000**	Revenue R'000	Profit before tax R'000	Total assets R'000
Healthcare administration	**1 356 331**	**17 144**	**836 519**	519 867	47 172	1 413 722
Electronics	**–**	**8 657**	**–**	–	7 597	–
Treasury activities	**–**	**9 034**	**110 388**	–	13 437	110 344
Other – including inter-segment eliminations	**–**	**(19 175)**	**228 758**	–	(1 682)	219 641
	1 356 331	**15 660**	**1 175 665**	519 867	66 524	1 743 707