

Audited Results
FOR THE YEAR ENDED 30 JUNE 2013



AFROCENTRIC
GROUP



REVENUE	OPERATING PROFIT	NORMALISED EARNINGS PER SHARE
22.2% ↑	28.7% ↑	31.3% ↑
DIVIDEND PER SHARE	CASH AND CASH EQUIVALENTS	PROFIT WARRANTY LEVEL ATTAINED
42.9% ↑	48.9% ↑	90%
 AFROCENTRIC HEALTH	 AFROCENTRIC TECHNOLOGY	 AFROCENTRIC RESOURCES

OUR PEOPLE
OUR PASSION

The Board of Directors has pleasure in presenting the Group's audited results for the year ended 30 June 2013.

AfroCentric Investment Corporation Limited ("AfroCentric") is a black-controlled, diversified investment holding company, listed in the health-care sector of the JSE. AfroCentric commenced business during 2007, having raised R100 million by way of a rights issue. 51% of the rights to the ordinary shares were renounced by the promoters in favour of The AfroCentric Empowerment Trust ("the Trust"), commencing a cognitive process for transformation, with any enhanced value *inter alia*, for the Trust's BEE beneficiaries. At 30 June 2013, the market capitalisation value of AfroCentric's ordinary share capital exceeded R1 billion.

The year ended 30 June 2013 marks an important milestone for the Company and the progress of the Group's investment interests. For a more meaningful appreciation of the financial performance of the Group and the detailed information presented herein, the nature and context of certain significant events surrounding each of the Group's two principal investments need to be explained. These are explained alongside, under the heading: Commentary.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
	Audited year ended 30 June 2013 R'000	Audited year ended 30 June 2012 R'000
Non-current assets	1 031 881	991 884
Property, plant and equipment	90 349	97 016
Investment property	15 000	10 300
Intangible assets	628 305	611 042
Unlisted investments	280	280
Investment in associates	42 484	86 765
Investment in preference shares	100 000	100 000
Interest bearing loan	74 000	–
Deferred income tax assets	81 463	86 481
Current assets	496 780	371 416
Trade and other receivables	127 279	108 511
Receivables from associates and joint ventures	2 378	14 591
Current tax asset	6 912	6 404
Cash and cash equivalents	360 211	241 910
Total assets	1 528 661	1 363 300
EQUITY AND LIABILITIES		
Capital and reserves	1 002 874	882 815
Issued capital	356 711	349 365
Contingent shares to be issued	137 258	188 540
Share-based awards reserve	49 225	9 357
Treasury shares	(2 324)	(1 772)
Foreign currency translation reserve	1 254	(646)
Distributable reserve	460 750	337 971
Non-controlling interest	50 205	30 625
Total equity	1 053 079	913 440
Non-current liabilities	268 375	271 968
Deferred income tax liabilities	51 090	47 595
Interest bearing loan	200 000	200 000
Provisions	8 350	8 350
Post-employment medical obligations	3 551	3 504
Accrual for straight lining of leases	5 384	12 519
Current liabilities	207 207	177 892
Borrowings	7 926	8 346
Provisions	8 677	8 779
Trade and other payables	94 246	76 802
Taxation	–	4 149
Employment benefit provisions	96 358	79 816
Total liabilities	475 582	449 860
Total equity and liabilities	1 528 661	1 363 300

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
	% change	Audited year ended 30 June 2013 R'000	Audited year ended 30 June 2012 R'000
Revenue	22.2%	1 770 330	1 448 261
Operating costs		(1 436 673)	(1 188 960)
Operating profit	28.7%	333 657	259 301
Other income		2 307	14 894
Foreign exchange benefit		1 900	–
Net finance cost		8 168	3 371
Share of associate (losses)/profits - Jasco		(30 030)	5 988
Share of associate profits - Healthcare		8 553	8 854
Profit before impairment and amortisation		324 555	292 408
Fair value gain of investment		5 252	1 175
Fair value gain on investment in associate		7 253	13 162
IFRS 2 compliance adjustment (Note 1)		(39 868)	(9 357)
Profit on sale of investment		51 014	–
Depreciation		(37 251)	(38 128)
Amortisation of intangible assets		(40 098)	(36 356)
Profit before income tax	21.5%	270 857	222 904
Income tax expense		(84 848)	(42 523)
Profit for the year		186 009	180 381
Other comprehensive income		–	–
Total comprehensive income for the year		186 009	180 381
Attributable to:			
Equity holders of the Parent		163 570	164 506
Non-controlling interest		22 439	15 875
		186 009	180 381

Note 1: Actuarially determined cost of share-based awards in each period reserved for selected executives of Afrocentric Health Limited ("AHL") in terms of the 2008 Acquisition Agreement, categorised for disclosure herein in terms of IFRS 2.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY		
	Audited year ended 30 June 2013 R'000	Audited year ended 30 June 2012 R'000
Balance at beginning of the period	913 440	747 635
Issue of share capital	7 345	5 579
Share-based awards reserve	39 868	9 357
Reduction in contingent shares to be issued	(51 282)	–
Revaluation of treasury shares issued	(552)	(1 496)
Dividends reclaimed and subsidiary acquisitions	–	5 868
Distribution to shareholders	(33 219)	(28 274)
Net profit for the year	163 570	164 506
Profit attributable to minorities	22 439	15 875
Acquisition of businesses	(4 477)	–
Distribution to AHL minorities	(4 053)	(5 610)
Balance at end of period	1 053 079	913 440

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS			
		Audited year ended 30 June 2013 R'000	Audited year ended 30 June 2012 R'000
	% change		
Cash generated from operations	33.4%	340 413	255 152
Net finance income		8 168	3 371
Distribution to shareholders		(33 196)	(28 274)
Tax and other payments		(88 305)	(114 044)
Net cash inflow in operating activities		227 080	116 205
Net cash outflow from investing activities		(114 459)	(55 321)
Net cash inflow from financing activities		3 780	8 315
Effect of foreign exchange benefit		1 900	–
Net increase in cash and cash equivalents		118 301	69 199
Cash and cash equivalents at beginning of the period		241 910	172 711
Cash and cash equivalents at end of the period	48.9%	360 211	241 910

EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS			
	% change	Audited year ended 30 June 2013 R'000	Audited year ended 30 June 2012 R'000
Headline earnings reconciliation			
Number of ordinary shares in issue		270 010 639	268 231 817
Number of preference shares in issue		16 638 000	16 638 000
Weighted average number of ordinary shares		269 256 170	267 276 657
Weighted average number of shares for diluted EPS which include shares on conversion of preference shares, share-based awards and second tranche shares to be issued		452 953 162	332 384 302*
Basic earnings		163 570	164 506
Adjusted by:			
- Loss/(profit) on disposal of assets		(51 014)	-
- Fair value gain of investment		(5 252)	(1 175)
- Fair value adjustment of investment in associate		(7 253)	(13 162)
- Adjustment of impairments recognised by associate		30 030	-
- Loss/(profit) on disposal of assets		(440)	(566)
- Fair value adjustments (other)		(4)	(810)
Headline earnings		129 637	148 793
Earnings per share (cents)			
- Attributable to ordinary shares (cents)	(1.3%)	60.75	61.55
- Diluted earnings per share (cents)	(31.0%)	36.11	52.31
Headline earnings per share (cents)			
- Attributable to ordinary shares (cents)	(13.5%)	48.15	55.67
- Diluted earnings per share (cents)	(39.8%)	28.62	47.58
Cash earnings per share generated from operations (cents)			
- Attributable to ordinary shares (cents)	32.4%	126.43	95.48
- Diluted earnings per share (cents)	(2.1%)	75.15	76.77

* The 2012 diluted EPS excludes the second tranche shares to be issued.

SEGMENTAL ANALYSIS						
	AUDITED RESULTS for the year ended 30 June 2013			AUDITED RESULTS for the year ended 30 June 2012		
	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	1 770 330	337 215	1 276 080	1 448 261	217 086	977 763
Electronics (including investment income)	–	(30 030)	–	–	5 988	–
Treasury activities	–	6 587	121 584	–	7 758	119 561
Other (including inter-segment elimination)	–	(42 915)	130 997	–	(7 928)	265 976
	1 770 330	278 857	1 528 661	1 448 261	222 904	1 363 300

By Order of the Board
Statucor (Pty) Ltd
Company secretary
Johannesburg
26 September 2013

Directors
AT Mokgokong** (Chairperson), D Dempers (CEO)***, WRC Holmes (CFO)***, NB Bam**, B Joffe**, JM Kahn**, MJ Madungundaba**, Y Masithela*, G Napier*, MI Sacks**
*independent non-executive **non-executive ***executive

Registered Office
37 Conrad Rd
Florida North 1709

Sponsor
Sasfin Capital (A division of Sasfin Bank Limited)

AfroCentric Investment Corporation Limited
Registration number 1988/000570/06
JSE Code: ACT, ACTP
ISIN: ZAE 000078416, ZAE 000082269
("AfroCentric" or "the Company" or "the Group")

Commentary

INTRODUCTION

AfroCentric Health (formerly Lethimvula) (AHL)

AfroCentric’s acquisition of AHL in 2008 included a profit warranty provision. The warranty considers the aggregate profits after taxation (PAT) (specially fashioned and purposely defined in the acquisition agreement) (“the 2008 Acquisition Agreement”) over the three-year period, which ended on 30 June 2013 (the measurement period:). The quantum and second tranche payments to vendor shareholders (also defined in the 2008 Acquisition Agreement and the 2008 and 2009 Circulars) is based on the actual PAT delivered over the measurement period (calculated in terms of the special purpose definition).

The positive results of the warranty measurement and the quantum of the second tranche shares to be issued and cash to be paid, are clearly set out elsewhere in this announcement. The second tranche shares to be issued have been included in the calculation of diluted earnings per share and diluted headline earnings per share “as if”, the second tranche shares to be issued were already in issue on 30 June 2013.

Having regard to the three-year duration of the profit warranty and its measurement period, certain non-recurring and, in certain cases, non-cash costs (only determinable and qualifying for payment at the end of the warranty period), have all been provided for in this year which, not unexpectedly, have had a once-off impact on the Group’s basic and headline earnings.

The 2008 Acquisition Agreement also contemplated an award of a minimum of 20 million AfroCentric shares to certain executives of AHL, to be awarded at the end of the warranty period. During the course of that period, those executive shares already allocated, have been categorised as share-based payments in terms of IFRS 2 and the actuarially-determined “non-cash” costs were provided for in each of the company’s relevant reporting periods. The Boards of AfroCentric and AHL have, for the time being, approved an allocation marginally in excess of 20 million shares and the actuarial values only of the confirmed allocations are disclosed as “non-cash” deductions in the Consolidated Statement of Comprehensive Income as consistently described in each year as an IFRS 2 compliance adjustment.

The executive share awards, although still to be issued, will also be included in the calculation of diluted earnings per share and diluted headline earnings per share “as if” these share awards were in issue on 30 June 2013. A further allocation of these same share awards have been reserved for purposes of executive retention going forward.

In addition, shareholders will be aware that the AfroCentric preference shares (ACTP) are redeemable or convertible prior to 31 December 2013. In compliance with IFRS, the ordinary shares to be issued on conversion of the preference shares, have also been included in the calculation of diluted earnings and diluted headline earnings per share “as if” the additional ordinary shares (on conversion at 100%) were in issue on 30 June 2013.

Pursuant thereto based on the rights and covenants attaching to the preference shares, the conversion formula is applied to ordinary shares already issued, plus those now deemed issued, in respect of the second tranche issue of shares and the executive share awards.

Technology Associate “Jasco”

AfroCentric has a 27,3% non-controlling interest in JSE-listed Jasco. Jasco reported its audited results for the year-ended 30 June 2013 on 18 September 2013 and shareholders are respectfully referred to the Stock Exchange News Services (SENS) under the code: JSC for more details.

The significant event in the case of Jasco substantially arises from impairments disclosed in its recent results announcement, more specifically, the material impairment of Jasco’s 51% investment in Malesela-Taihan Electric Cables (M-Tech). Apart from a mark to market fair value adjustment, given the material impairment in M-Tech, AfroCentric’s consequential share of losses from this associate are accounted for as part of normal earnings.

This “non-cash” share of associate losses is however, disclosed as an adjustment in the determination of headline earnings. It is common cause that M-Tech has continually under-performed and has been a retarding feature of Jasco’s overall progress. Jasco has reported that M-Tech, (which has a substantial net asset value) has been classified at 30 June 2013 as an “asset for sale”.

DIRECTIVE

Given the significant events recorded above and the particularly uncommon and extraordinary impact on earnings, diluted earnings and headline earnings per share reported herein, in addition to the disclosures mandated by IFRS, the Board believes the table, under the heading “Normalised Earnings”, more appropriately presents the consistency in the Group’s comparable growth in earnings and the improvement in its comparative quality of earnings.

ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed consolidated financial statements for the year ended 30 June 2013 are prepared in accordance with the requirements of International Financial Reporting Standards (“IFRS”), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Limited Listings Requirements, and the South African Companies Act No 71 of 2008, as amended. The condensed consolidated financial statements are prepared on the historical cost basis and the accounting policies are consistent with those adopted and applied for the year ended 30 June 2012 in terms of IFRS.

GROUP INVESTMENTS

AfroCentric holds a substantial 94.07% majority stake in AfroCentric Health Limited (“AHL”). AHL owns 100% of the issued share capital in Medscheme Holdings (Pty) Limited (“Medscheme”), a multi-medical scheme administrator and managed care provider. As the largest health risk management services provider and third largest medical scheme administrator in South Africa, Medscheme’s focus is to achieve sustainability through innovation, effective health risk management, complemented by a relentless drive for operational and service excellence. Medscheme has over 3.2 million lives under management. Medscheme’s healthcare management expertise has been gained over 41 years, which includes several years of experience with the Government Employees Medical Scheme (“GEMS”). Although Medscheme is essentially a South African enterprise, the Group has a meaningful presence in Botswana, Namibia, Mauritius, Swaziland and Zimbabwe. Furthermore, Medscheme has recently purchased a 26% stake in Alexander Forbes Healthcare Limited in Kenya. Medscheme’s operations in Mauritius continue to provide an excellent platform for further international expansion and AHL continues to explore other opportunities on the African continent and elsewhere. Health Management and technical support services are provided to clients in the Republic of Ireland out of Mauritius.

As already recorded herein, AfroCentric has a 27.3% non-controlling interest in JSE-listed Jasco Electronics Holdings Limited (“Jasco”). Jasco provides solutions, services and products to customers through three core verticals: Information and Communication Technologies, Industry Solutions and Energy Solutions. Further information on Jasco can be found on the JSE lists under the code: JSC.

AfroCentric’s exploration and prospecting relationship with Rio Tinto PLC continues in terms of the Relationship and Strategic Cooperation Agreement (RSCA). During the course of the year the Company entered into a contract in terms of the RSCA for a significant minority interest in a new iron ore exploration joint venture. The land rights and prospecting terms remain to be finally approved by the DMR.

OPERATIONAL REVIEW

AfroCentric’s operating profits amounted to R334 million during the period under review (2012: R259 million) an increase of 29%. The improved profitability arises primarily from AHL’s increased revenue growth from expanding operations and continuing efficiency improvements in the Administration and Health Risk Management business.

Apart from organic growth, notable positive features during the year were the amalgamation and inclusion of the Pro-Sano Medical Scheme’s 26 000 members into the Bonitas Medical Fund and the sale of Medscheme’s investment in TradeBridge yielding a profit of R51 million.

In addition as part of AHL’s overall services, certain relationships were restructured and consolidated to provide improved stimulus for protection and sustainability, in the interests of Medscheme’s client base and that of its existing and potential membership.

We are also proud to highlight that in a recent national “index of satisfaction” survey of medical scheme membership in South Africa, members of Medscheme client, Bonitas Medical Fund were found to be the most satisfied medical scheme members in so far as value for money and administration attention and services are concerned.

FINANCIAL RESULTS

The increase in revenue of 22% (2012: 7%) was mainly due to organic growth, growth in the GEMS administration and managed care contracts as well as contributions from acquired and expanding divisions. Further efficiency improvements in the health-care business via greater economies of scale contributed to an even higher increase in operating profit of 29% (2012: 16%). It is management’s intention to integrate and streamline all acquired and expanding divisions to rationalise with current Medscheme operations going forward. The reduction in other income is mainly due to the termination of sub-let office space, rental contracts in the old Bryanston premises. AHL’s core health-care business has therefore continued its rate of compound growth in earnings of 35% for the past four years. On a comparative basis net-profit before tax increased by 21.5% (2012: 29.2%) AfroCentric’s investment in Jasco was once again disappointing, its losses incurred primarily as a result of the substantial impairment of its investment in M-Tech. Given the nature of the associate losses, the amount is adjusted in headline earnings and not expected to recur. Jasco has forecast a return to profitability in the 2014 financial year.

THE TABLE OF NORMALISED EARNINGS PER SHARE IS SET OUT HEREUNDER

	% change	Year ended 30 June 2013	Year ended 30 June 2012
Normalised earnings attributable to equity holders			
Normalised earnings per share (cents)	31.3%	75.56	57.57
Diluted normalised earnings per share (cents)	31.6%	44.91	34.12
Normalised headline earnings per share (cents)	21.8%	62.95	51.69
Diluted normalised headline earnings per share (cents)	22.2%	37.42	30.63

In calculating the normalised earnings per share the IFRS 2 charge has been added back for purposes of calculating basic and headline earnings for 2012 and 2013. Taxation of 28% has been applied to both years. The weighted number of shares for the earnings per share in each case was based on the same amount as per the statutory calculation shown in the table of “Earnings Attributable to Equity Holders”.

PROFIT WARRANTY AND SECOND TRANCHE PAYMENTS

After a comprehensive analysis of AHL’s profits after tax for the years 2011, 2012 and this 2013 financial year, measured in terms of the tailored definition of profit after tax, the Board are pleased to report that a level of 90% of the profit warranty was attained over the measurement period. The formula applied for the release of the second tranche issue of shares, on this level of attainment, dictates that 80% of the contingent shares be issued to vendor shareholders as defined. Accordingly, 100 805 620 shares in respect thereof will be issued.

The second tranche cash payment of approximately R26 million in the aggregate is based on the same percentage of shares to be issued to vendor shareholders and will be paid simultaneously with the release of the second tranche shares. This payment is made up of the aggregate distributions by the Company to ordinary shareholders during the warranty period. The actual amount payable may vary depending on the date on which vendor shareholders offered their AHL (Lethimvula) shares to the Company for sale.

The second tranche shares and second tranche cash payments are expected to be issued and paid respectively in November 2013 and the Company will, in due course, advise shareholders through announcements on SENS and in major newspapers regarding the processes to be applied for this purpose.

PROSPECTS

Now that the acquisition of AHL (Lethimvula) is virtually finalised, shareholders can take comfort from the fact that AHL has developed into a significant player in the private health-care industry, a company with a proven business model, a sound, experienced and talented management team and a track record revealing a sustainable and impressive growth trend in earnings. It was gratifying, but not entirely surprising, that this black-controlled Group, was recently recognised by the Financial Mail/Accenture and rated fourth best company for 2013. In retrospect, given the profits of AHL for 2013, at R250 million after tax, the eventual purchase price paid for AHL calculates at a PE ratio of less than 4 times earnings.

The Group’s investment in Jasco has been unfortunate, the effect though, arising substantially through the poor performance and impairment of M-Tech. The decision to categorise M-Tech as an asset for sale may well be the right decision. M-Tech has a substantial production capacity and net asset value and its fortunes could easily be reversed in the right economic circumstances.

The Group’s balance sheet is largely ungeared, its cash flows have always been strong and the Board remains confident in the Group’s positive direction for 2014.

PREFERENCE SHARE CONVERSIONS

The Company will also soon be notifying preference shareholders of the means by which they can elect to convert their AfroCentric preference shares (ACTP) into AfroCentric ordinary shares (ACT). The communication to preference shareholders will be in the form of a SENS announcement and press announcements in major newspapers early in October 2013 together with a Circular that will be posted to AfroCentric preference shareholders on the same day, which Circular will include the form of exercise, surrender and acceptance.

DIRECTORS

During the year NB Bam retired as Chairperson, but will continue to act as a Non-Executive Director of the Company. Dr AT Mokgokong was appointed Chairperson and D Dempers was appointed Chief Executive Officer. Save for the appointment of Mr J Appelgryn as an Independent Non-Executive Director on 17 September 2013, there have been no further changes to the AfroCentric Board.

DIVIDENDS

The Board of Directors takes pleasure in announcing that a dividend of 15 cents per ordinary share (gross) (2012: 10.5 cents) has been declared for the year ended 30 June 2013. No preference dividend is provided for as the ordinary dividend will be paid after the date on which the preference shares are converted or redeemed. 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 15 cents per ordinary share
- the STC credits available for utilisation is 1.36 cents per ordinary share
- STC credits to be utilised during this current dividend cycle is 1.36 cents per ordinary share
- given the use of the STC credits, the Dividend Withholding Tax is calculated at 2.046 cents, resulting in a net cash dividend of 12.954 cents per ordinary share for those shareholders who are not exempt from Dividends Tax
- for purposes of the distribution 468 018 863 ordinary shares will be deemed to be in issue on the dividend record date
- the company has 270 010 639 ordinary shares in issue on declaration date
- the company has 16 638 000 preference shares in issue on declaration date
- the company’s income tax reference number is 9600/148/71/3

The salient dates relating to the ordinary dividends are as follows;

- | | |
|---------------------------------------|--------------------------|
| • Last day to trade cum dividend | Friday, 7 February 2014 |
| • Shares commence trading ex dividend | Monday, 10 February 2014 |
| • Dividend record date | Friday, 14 February 2014 |
| • Dividend payment date | Monday, 17 February 2014 |

Share certificates for ordinary shares may not be dematerialised or rematerialised between Monday 10 February 2014 and Friday 14 February 2014, both days inclusive.

AUDIT OPINION AND DIRECTORS RESPONSIBILITY STATEMENT

The audited year-end results have been audited by SizweNtsalubaGobodo Inc. under the supervision of Mr WRC Holmes CA(SA), in his capacity as the Group Chief Financial Officer and their unqualified report and the audited results are available for inspection for 28 days at Afrocentric’s registered office from 30 September 2013.

The directors take full responsibility for the preparation of these audited results and that the financial information has been correctly extracted from the underlying Annual Financial Statements.