

# Audited Results

FOR THE YEAR ENDED 30 JUNE 2014  
AND DIVIDEND DECLARATION



## HEADLINE EARNINGS

42% ↑

## REVENUE GROWTH

10% ↑

## DIVIDEND

20% ↑



**AfroCentric**  
HEALTH



**AfroCentric**  
TECHNOLOGY



**AfroCentric**  
RESOURCES

## INTRODUCTION

The Board of Directors has pleasure in presenting the Group's audited results for the year ended 30 June 2014.

The publication of AfroCentric's results for the year ended June 30, 2014 coincides with the announcement of two important strategic initiatives for AfroCentric which are briefly explained herein under "Recent Developments".

- an agreement to acquire WAD Holdings Proprietary Limited ("WAD") businesses that specialise in wholesaling, dispensing and delivery of chronic medication; and
- an agreement for a significant minority investment by Sanlam Limited.

Apart from the satisfactory results of the Group's business operations, the year ended 30 June 2014 has important significance in the Group's history. During the year, the AfroCentric Health Limited's (formerly Lethimvula) profit warranty was finally measured, which triggered the issue of the shares due under the second tranche payment provisions. In addition, ordinary shares were issued to Preference Shareholders in terms of the Preference Share Redemption covenants. Shareholders should consider these factors for a better appreciation of this results announcement.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited year ended 30 June 2014 R'000	Audited year ended 30 June 2013 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	881 257	1 031 601
Plant and equipment	100 143	90 349
Investment property	15 000	15 000
Intangible assets	603 152	628 305
Investment in associates	77 183	42 484
Investment in preference shares	-	100 000
Interest bearing loan	-	74 000
Deferred income tax assets	85 779	81 463
<b>Current assets</b>	679 450	497 060
Trade and other receivables	190 828	127 559
Investment in preference shares	90 000	-
Inventory	4 610	-
Current portion of interest bearing loan	-	2 378
Current tax asset	4 563	6 912
Cash and cash equivalents	389 449	360 211
<b>Total assets</b>	<b>1 560 707</b>	<b>1 528 661</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>	1 070 968	1 002 874
Issued ordinary share capital	543 454	356 711
Contingent shares to be issued	-	137 258
Share-based awards reserve	10 765	49 225
Treasury shares	(2 324)	(2 324)
Foreign currency translation reserve	1 337	1 254
Distributable reserve	517 736	460 750
Non-controlling interest	52 634	50 205
<b>Total equity</b>	<b>1 123 602</b>	<b>1 053 079</b>
<b>Non-current liabilities</b>	171 117	268 375
Deferred income tax liabilities	43 188	51 090
Borrowings	112 946	200 000
Provisions	8 350	8 350
Post-employment medical obligations	3 202	3 551
Accrual for straight-lining of leases	3 431	5 384
<b>Current liabilities</b>	265 988	207 207
Borrowings	44 877	7 926
Provisions	9 105	8 677
Trade and other payables	121 887	94 246
Employment benefit provisions	90 119	96 358
<b>Total liabilities</b>	<b>437 105</b>	<b>475 582</b>
<b>Total equity and liabilities</b>	<b>1 560 707</b>	<b>1 528 661</b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% change	Audited year ended 30 June 2014 R'000	Audited year ended 30 June 2013 R'000
<b>Revenue</b>	10.62%	1 958 260	1 770 330
Operating costs		(1 601 903)	(1 436 673)
<b>Operating profit</b>	6.80%	356 357	333 657
Other income		2	2 307
Net finance income		17 699	8 168
- Finance income		34 246	24 841
- Finance cost		(16 547)	(16 673)
Foreign exchange benefit		83	1 900
Share of associate profits/(losses) - Jasco		2 805	(30 030)
Share of associate profits - Healthcare		1 536	8 553
<b>Profit before impairment and amortisation</b>	16.62%	378 483	324 555
Reversal of impairment		3 720	7 253
Fair value gain of investment		-	5 252
Impairment of intangible asset		(40 620)	-
Share-based payment expense		(10 765)	(39 868)
Profit on sale of investment		-	51 014
Depreciation		(40 475)	(37 251)
Amortisation of intangible assets		(43 907)	(40 098)
<b>Profit before income tax</b>		246 436	270 857
Income tax expense		(75 692)	(84 848)
<b>Profit for the year</b>		170 744	186 009
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>170 744</b>	<b>186 009</b>
<b>Attributable to:</b>			
Equity holders of the Parent		153 823	163 570
Non-controlling interest		16 920	22 439
		<b>170 744</b>	<b>186 009</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Audited year ended 30 June 2014 R'000	Audited year ended 30 June 2013 R'000
<b>Balance at beginning of the period</b>	1 053 079	913 440
Issue of share capital	186 743	7 345
Second Tranche payment	(26 744)	-
Share-based awards reserve	10 765	39 868
Reduction in share based awards reserve	(49 225)	-
Reduction in contingent shares to be issued	(137 258)	(51 282)
Revaluation of treasury shares issued	-	(552)
Distribution to shareholders	(70 178)	(33 219)
Net profit for the period	153 823	163 570
Acquisition of businesses	-	(4 477)
Profit attributable to minorities	16 920	22 439
Distribution to AHL minorities	(14 323)	(4 053)
<b>Balance at end of period</b>	<b>1 123 602</b>	<b>1 053 079</b>

## EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS

	Audited year ended 30 June 2014 R'000	Audited year ended 30 June 2013 R'000
Number of ordinary shares in issue	467 855 101	270 010 639
Number of preference shares in issue	-	16 638 000
Weighted average number of ordinary shares	384 574 258	269 256 170
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	384 574 258	452 953 162
<b>Basic earnings</b>	153 823	163 570
Adjusted by:		
- Impairment of intangible asset	40 620	-
- Adjustment of impairments recognised by associate	-	30 030
- Fair value gain on investment	-	(5 252)
- Reversal of impairment	(3 720)	(7 253)
- Loss/(profit) on disposal of assets	235	(440)
- Loss/(profit) on disposal of assets	-	(51 014)
- Fair value adjustments (other)	-	(4)
- Total tax effects of adjustments	(4 906)	-
- Total non-controlling effects of adjustments	(2 107)	-
<b>Headline earnings</b>	<b>183 945</b>	<b>129 637</b>
<b>Earnings per share (cents)</b>		
- Attributable to ordinary shares (cents)	40.00	60.75
- Diluted earnings per share (cents)	40.00	36.11
<b>Headline earnings per share (cents)</b>		
- Attributable to ordinary shares (cents)	47.83	48.15
- Diluted earnings per share (cents)	47.83	28.62

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited year ended 30 June 2014 R'000	Audited year ended 30 June 2013 R'000
Cash generated from operations	321 044	340 413
Net finance income	17 699	8 168
Distribution to shareholders	(70 178)	(33 196)
Tax and other payments	(126 624)	(88 305)
Net cash inflow in operating activities	141 941	227 080
Net cash outflow from investing activities	(62 940)	(114 459)
Net cash inflow from financing activities	(49 846)	3 780
Effect of foreign exchange benefit	83	1 900
<b>Net increase in cash and cash equivalents</b>	<b>29 238</b>	<b>118 301</b>
Cash and cash equivalents at beginning of the period	360 211	241 910
<b>Cash and cash equivalents at end of the period</b>	<b>389 449</b>	<b>360 211</b>

## SEGMENTAL ANALYSIS

	AUDITED RESULTS for the year ended 30 June 2014			AUDITED RESULTS for the year ended 30 June 2013		
	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	1 959 760	271 884	1 308 762	1 771 370	337 215	1 276 080
Electronics (including investment income)	-	2 805	-	-	(30 030)	-
Treasury activities	-	-	-	-	6 587	121 584
Other (including inter-segment elimination)	(1 500)	(28 253)	251 945	(1 040)	(42 915)	130 997
	<b>1 958 260</b>	<b>246 436</b>	<b>1 560 707</b>	<b>1 770 330</b>	<b>270 857</b>	<b>1 528 661</b>

**By Order of the Board**  
Wilbert Mhlanga  
Company secretary  
Johannesburg  
30 September 2014

**Directors**  
AT Mokgokong\*\* (Chairperson), D Dempers (CEO)\*\*\*, WRC Holmes (CFO)\*\*\*, NB Bam\*\*, JM Kahn\*\*, MJ Madungandaba\*\*, Y Masithela\*, G Napier\*, J Appelgryn\*, 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**  
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")



## Commentary

### ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed consolidated financial statements for the year ended 30 June 2014 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 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 2013 in terms of IFRS.

### NATURE OF BUSINESS

AfroCentric Investment Corporation Limited ("AfroCentric") is a black-controlled, diversified investment holding company. It is listed on the Johannesburg Stock Exchange ("JSE") in the Healthcare Sector under the code: ACT.

AfroCentric holds a substantial 94.10% 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 efficiency and service excellence. Medscheme has over 3.2 million lives under management. Medscheme's healthcare management expertise has been gained over 42 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, Kenya and Zimbabwe. Medscheme's operations in Mauritius provide an excellent platform for further international expansion and AHL continues to explore other opportunities on the African continent and elsewhere.

AfroCentric has a 20.27% 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 agreement with Rio Tinto PLC continues in terms of the Relationship and Strategic Cooperation Agreement ("RSCA").

### OPERATIONAL AND FINANCIAL REVIEW

AfroCentric's profit before impairment and amortisation increased by 16.6% to R378 million during the period under review. (2013: R324 million). The improved profitability arises primarily from AHL's increased revenue growth of 10.6% from incremental medical scheme membership across the total portfolio. In order to create greater IT capacity and the development of clinical skills, additional human resources were recruited to service the Group's organic growth, including requirements arising through successful awards of additional contracts. In anticipation, the cost base of the Group increased disproportionately during the second half of the year. This increase in the cost base is expected to remain static for the remainder of 2014, with a more efficient recovery rate being attained in this period. During February 2014, Medscheme was awarded a claims administration contract from the Road Accident Fund ("RAF"). The contract entails the legal, medical and financial analysis of RAF claims. This contract is expected to generate more meaningful revenues in the 2015 financial year. In addition, Helios, AHL's IT subsidiary, was appointed the IT systems service provider to CIMAS, the largest medical scheme in Zimbabwe. This contract was only effective from 1 January 2014 and should similarly make a greater contribution to Group revenues in the 2015 financial year. Over the past four years Medscheme's core operations have enjoyed a compound average growth rate of 28.6%.

AfroCentric's investment in Jasco has yielded a small profit of R2.8 million. The various business units in Jasco have been restructured over the past three years and hopefully given the recent recapitalization, the business will start to generate improved profits for the 2015 financial year.

Given the issue of shares for the redemption of the preference shares, as well as the issue of shares for the second tranche payments, both occurring during the year, the Board has always been of the view that headline earnings and diluted headline earnings per share, as a measurement, best represents the performance of the Group. Headline earnings increased by 41.89% to R184 million compared to R130 million in 2013. Diluted headline earnings per share increased from 28.62 cents in 2013 to 47.83 cents for this year.

### RECENT DEVELOPMENTS

AfroCentric has been under a Cautionary notice since 10 June 2014. The Board is now pleased to announce that the Company has concluded two material transactions, the broad nature of which are as follows:

1. Agreement has been reached to acquire the wholesale and courier pharmacy businesses belonging to the WAD Holdings (Proprietary) Limited ("WAD"), businesses that specialise in the wholesaling, dispensing and delivery of chronic medication for and on behalf of private and public sector clients and patients. In addition, the transaction will include the purchase of the group's agency enterprise and a strategic minority interest in the generic and OTC complementary medicine distribution business. The Company has also secured an option to acquire WAD's two specialised commercial properties. The purchase price will be satisfied substantially by the issue of AfroCentric shares and a certain amount in cash.
2. Agreement has been reached with Sanlam Limited ("SANLAM"), whereby SANLAM will acquire a 28.7% shareholding in AfroCentric Healthcare Assets (Proprietary) Limited ("AHA"), a wholly owned subsidiary of AfroCentric which owns 94.10% of AfroCentric Health Limited ("AHL"). The total SANLAM investment amount will be approximately R700 million (after the transfer of acquired WAD businesses referred to above) of which about R160 million will be applied to the repayment of AHA third party borrowings, the balance being applied to the repayment of inter-company loans between AHA and the Company. As a result of the total SANLAM investment, and the repayment of third party debt of approximately R160 million, AfroCentric shall be substantially debt-free and have additional cash resources of approximately R542 million. The SANLAM Investment is subject to certain suspensive conditions being fulfilled or waived.

Further information and details of the transactions were released on SENS on 30 September 2014.

### PROSPECTS

Apart from the Group's consistent past trends of growth, both transactions referred to herein, expand the Group's value proposition for all stakeholders, materially enhances its marketing and distribution channels, significantly expands its capital base and positively positions the Group for accelerated growth.

### DIRECTORS

Mr. Brian Joffe resigned as a Director on 3 March 2014. There have been no further changes to the AfroCentric Board during the year.

### DIVIDENDS

The Board of Directors has pleasure in announcing that a dividend of 18 cents per ordinary share (gross) has been declared for the year ended 30 June 2014. 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 18 cents per ordinary share.
- the STC credits available for utilisation is 0 cents per ordinary share.
- the net cash dividend amount is therefore 15.3 cents per ordinary share
- the company has 467 855 101 ordinary shares in issue at 30 June 2014.
- 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      | Friday, 21 November 2014 |
| • Shares commence trading ex dividend | Monday, 24 November 2014 |
| • Dividend record date                | Friday, 28 November 2014 |
| • Dividend payment date               | Monday, 1 December 2014  |

Share certificates for ordinary shares may not be dematerialised or rematerialised between Monday, 24 November 2014 and Friday, 28 November 2014, both days inclusive.

### AUDIT OPINION

The information included in this report is extracted from audited information, but is not itself audited. The directors take full responsibility for the preparation of this report and the financial information has been correctly extracted from the underlying group's financial statements.

The auditors, SizweNtsalubaGobodo Inc and PricewaterhouseCoopers Inc, ("the auditor") have issued their unmodified opinion on the group's financial statements for the year ended 30 June 2014. The audit was conducted in accordance with International Standards on Auditing. A copy of the auditor's audit report together with the group's financial statements is available for inspection at the company's registered office. Any reference to future financial performance included in the announcement, has not been reviewed or reported on by the company's auditors.