AFROCENTRIC SUMMARY OF ANNUAL RESULTS AND DIVIDEND DECLARATION

for the year ended 30 June 2020

AfroCentric GROUP

AfroCentric GROUP

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FINANCIAL HIGHLIGHTS

01 21.6%
Revenue

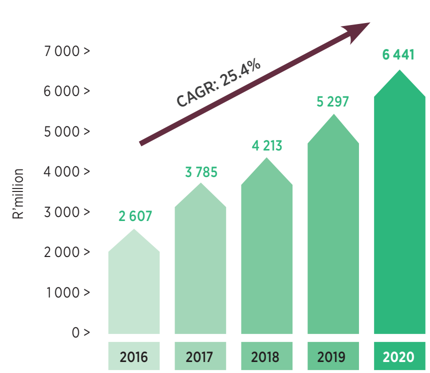
02 13.2%
Healthcare Services operating profit

03 19.1%
Profit after tax

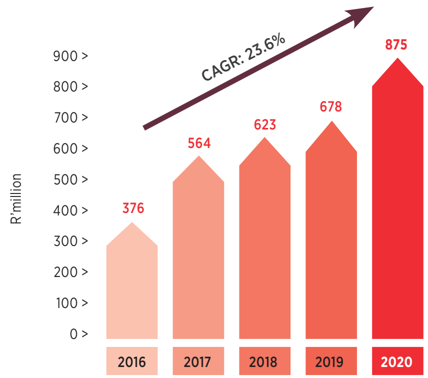
04 15.6%
Headline earnings

05 Level 1
B-BBEE rating

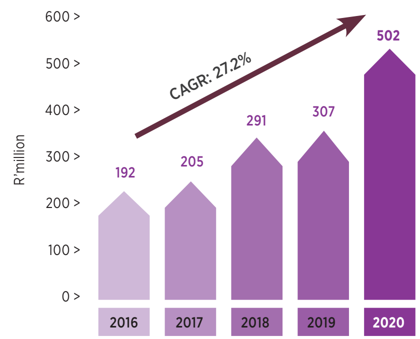
Total revenue



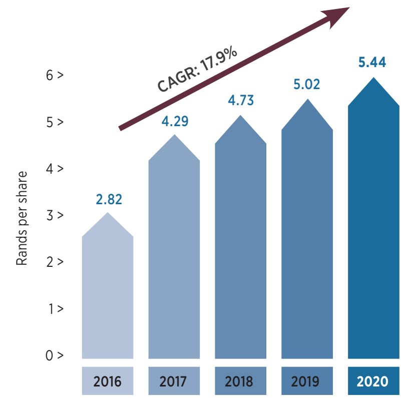
Operating profit



Net cash flows from operations



NAV per share



COMMENTARY

Introduction and review

AfroCentric is a Level 1 black-owned JSE listed investment holding company, which owns and operates a diverse range of healthcare related enterprises, which include, specialised medical scheme administration, the supply of pharmaceuticals, including a range of healthcare products and services, to both the public and private healthcare sectors. A principal objective of the group, is to ensure the delivery of efficient health management services, the distribution of quality products, all at manageable and affordable cost, for the benefit of clients and scheme members. AfroCentric has been able to successfully broaden its interests in the industry, by continuing to pursue new opportunities, to expand and rationalise its presence in the healthcare sector.

The Board takes pleasure in presenting commentary on AfroCentric's ("ACT") operating performance for the financial year ended 30 June 2020. Apart from the risks and challenges presented by the outbreak of the Covid-19 pandemic during the third quarter, (dealt with later in this review), the annual results are characterised by the positive outcome of the group's diversification strategy and the execution thereof. The success of the Group's vision has helped to define and guide the corporate strategy going forward, suggesting further complementary links to the value chain, to maximise the purchasing power of the healthcare spend.

From the commencement of the Covid-19 lockdown, all of our business units were deemed essential services, demanding that business continuity plans be immediately put in place. The group has approximately 5 500 employees, many of whom worked and continue to work from home, with essential staff attending at the Group's various premises, where protective devices and social distancing protocols were appropriately implemented.

It is now common cause that innovative system technologies and applications are accelerating at a rapid rate in the healthcare sector, demanding the review of traditional business models, revenue streams, client expectations, product and service offerings, including a review of legacy operating costs. This evolution is fortunately not new in our case as the group has for some time, focused its attention introducing innovative applications for greater efficiencies and quality of service to our customers, clients and their medical scheme members. The Covid-19 pandemic certainly amplified the benefits and importance of new technologies and accelerated the need for such deployment.

Our positive operating results for the year, are in some measure, due to the effective cost savings arising through our early investment in systems development and increased IT capacity, now being applied to greater scale and through improved procedural efficiencies. The early recognition for such investment could not have been more timely, considering an intended commencing process for certain digital migrations, coinciding with the lockdown restrictions.

Industry highlights

- Medscheme won the 2019 FICO World Innovation Management Decision Award for its Fusion System Development.
- ACT's Aid for Aids, won the PMR award for Managed Care.
- AfroCentric Health (Pty) Ltd, the Group's main operating subsidiary retained its Level 1 B-BBEE rating.
- AfroCentric Investment Corporation Ltd, achieved its level 1 B-BBEE rating, in December 2019.

Financial performance

The financial results for the year, confirm the accretive expectations of the group's deliberate diversification strategy, particularly evident when measuring the comparative impact in the synthesis of the Retail Segment, now productively integrated into a collective unit of group operations.

The pharma related component yielded significant growth during the year, contributing even more meaningful value and relief in meeting all stakeholder needs, particularly during the stressful time under Covid-19. The prudent and timely acquisition of the remaining shares in the Activo Health business during 2019, the impressive growth in Scriptpharm, including the increasing volume of activity in Pharmacy Direct, were the notable contributory factors, generating growth in comparative segmental operating profits in excess of 50%. Given the more heedful attention paid by patients reliant on chronic medication during lockdown, not least an obvious desire to stay healthy in general, the convenience of group deliveries during lockdown, at work/home, proved extremely valuable to those dependent on their chronic medications and other requirements.

The Services Segment, substantially comprising the medical scheme administration business, has also performed extremely well during the period under review. The group's prior and continuing investment in IT capacity, systems development and more efficient operating cost control routines, started to reveal their value, through a net decrease in operating costs of 1.0% for the year, compared to industry related inflationary costs of approximately 5%. Our lower cost of IT operations in turn prompted processes in robotics, call centre management and customer/member contact via digital platforms. The group will continue with system renewals and upgrades to explore better and more efficient ways in servicing and engaging our customers/members. Apart from our stable and consistent fee structures in this business unit, as a result of the new measures and more effective cost controls described above, the Services Cluster was able to increase its operating profit by a satisfactory 13.2%.

Group profits before tax, increased by 16.1% amounting to R613.6 million (2019: R528.5 million). Group profits after tax (PAT) increased by 19.1% amounting to R458.6 million (2019: R385.0 million).

Given the nature and composition of the Group's assets, mainly being goodwill and intangible assets, the cash generation ability of its various subsidiaries is the measure for valuation and/or impairment of its historical cost. Management and the Board are satisfied with the cash flow models, the assumptions and estimates of the future growth in profits and cash flows, including the applied weighted cost of capital, to confirm the amount at which the intangible assets are stated. Notwithstanding the above, having regard to the future uncertain impact of Covid-19, the investment in Capex and exploratory project funding, will be more cautiously considered, focusing more specifically on earnings enhancing acquisitions and operational activities through digitisation, improved cost controls and margin protection.

Growth initiatives

AfroCentric has for some time focused on growth initiatives designed to create a value chain of healthcare enterprises to maximise the purchasing power of citizen's healthcare spend. Through models of co-operative partnerships and collaboration, the objectives are to improve the affordability of patient care, with viable patient outcomes for easier accessibility to a broader community.

In keeping with that principal philosophy, during the period under review and prior to publishing these results:

- Scriptpharm Risk Management concluded two important contracts for more efficient Chronic Medicine and HIV management.
- ACT Healthcare Assets acquired the remaining 20% interest, that were not yet owned, in Scriptpharm Risk Management, the effective date being 1 August 2020.
- Medscheme concluded a contract to administer the MEDiPOS Medical Scheme the effective date being 1 April 2020.
- Afrocentric Health acquired 100% of the shares in the DENIS Group, a company specialising in dental benefits management. The transaction will enable the Group to focus on innovation and efficiency management in dental treatment offerings to all South African medical schemes and their members. The transaction became unconditional on 26 August 2020, the effective date being 1 October 2020.

Considerations for financial reporting

Estimates and judgements in applying IFRS:

Estimates and judgements are continually evaluated and are substantially based on historical factors and experience, including expectations of future events, believed to be reasonable under the circumstances. The Group makes good faith estimates and assumptions concerning the future. These estimates and assumptions nevertheless could present significant risk of material adjustments required to be made to the carrying values of assets and liabilities within the next financial year:

Impairment of goodwill

Goodwill amounting to R1.37 billion (2019: R1.34 billion) arises from business acquisitions by the Group over the years and represents the excess cost of the acquisitions, compared to the fair value applied to the tangible net assets of the acquired businesses or companies. The carrying amount of goodwill is tested annually for impairment. The recoverable amount of the cash-generating units ("CGU") has been determined based on value-in-use of the CGU, by discounting the best estimate of future cash flows attributable to the CGU. The key assumptions used in the calculation of the value-in-use were:

- The weighted average cost of capital (WACC) which is the discount rate that takes into account the yield on government bonds and a market risk premium
- A risk adjustment factor
- Forecast period
- An average growth rate

Capitalisation of internally generated software development costs and any impairment assessment for such software

During the current year, internally generated software development costs were incurred to the value of R203 million and capitalised. This, together with the value of prior internally generated and capitalised software amounts to R675 million (2019: R541 million). The Group's policy is to perform an annual impairment assessment using a discounted cash flow forecast model on the value of all internally generated software, regardless of whether an indication of impairment exists or not. Key valuation assumptions applied by management in the cash flow forecast included the following:

COMMENTARY continued

- The estimated profits to be earned from the use of assets and the period over which those profits are projected;
- The weighted average cost of capital; and
- Risk adjustment factors used in deriving an appropriate discounted rate applied to future estimated cash flows.

The risk disclosures discussed under IFRS 7:

Currency risk

The Group has certain investments in foreign operations, whose net assets are exposed to a foreign currency translation risk. The most significant group exposures are to the Mauritian Rupee, the Botswana Pula, the Zimbabwean RTGS and the US Dollar. The Group is however not exposed to any foreign exchange risk in relation to its foreign operations in Namibia and Eswatini as the currencies of these countries are fixed to the South African Rand.

The impact of foreign exchange risk amounted to a loss of R380 000 in the 2020 financial year (2019: R3.9 million loss).

Cash flow and fair value interest rate risk

The Group is exposed to downside interest rate risk through the provision of certain external loans. The Group's interest income arises from interest-bearing instruments and fixed deposits, and the Group's interest expense arises from Nedbank borrowings facilities. A sensitivity analysis has been performed on the following assumptions:

- Changes in the market interest rates affect the interest income or expense of variable interest financial instruments; and
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair value.

Under these assumptions, a 2% increase in market interest rates at 30 June 2020, would decrease the Group profit before tax by R4.2million (2019:R1.5million).

Credit risk

Credit risk arises from borrowings, cash and cash equivalents and other investments (i.e. deposits with banks and financial institutions), as well as credit exposures to clients, including outstanding receivables and committed transactions. No credit limits were exceeded during the reporting period.

With regards to trade receivables, the Group uses an allowance matrix to measure the expected credit losses from individual customers. This is calculated by using both the weighted average loss rate and the time value of money loss. As at 30 June 2020, expected credit losses to the value of R35.2 million were recognised (2019: R30.0 million).

Capital risk management

The objective of the Group is to safeguard its capital and its ability to continue as a going concern in order to provide returns to shareholders, benefits for the other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors cash flow on the basis of its gearing ratio. During 2020, the Group's strategy was unchanged from 2019, which was to maintain the gearing ratio within a range between 0% to 15%. As at 30 June 2020, the net debt to equity ratio was 6.7% (2019: 7.8%)

Prospects

AfroCentric has once again delivered satisfactory operating results for the year ended 30 June 2020, particularly given the material disruption and national economic challenges posed by the Covid-19 pandemic. While almost all South Africans have in one way or another, been affected by Covid-19, the full impact of the pandemic on our economy is not yet measurable. News reports and company announcements have already disclosed, inter alia, the shedding of jobs, considerably increasing the rate of unemployment. While Health Scheme memberships were expected to fall dramatically, we are seeing members doing everything in their power to retain their existing health cover, not only for their own protection as breadwinners, but also for the health needs of their families.

It is obvious that any forecasts and expectations while the Covid-19 pandemic continues, are merely speculative. However, the Group remains comforted that ACT operational subsidiaries have for several years proved their value and resilience in the somewhat defensive healthcare sector. The nature and attraction of ACT's businesses have maintained and expanded their market reach, have also continued to perform in South Africa's declining economy before Covid, their affordable products and services, continuing their sustainable appeal even more so, during the Covid pandemic.

Accordingly, while mindful of the potential difficulties that could lie ahead, ACT is cautiously confident in the future of current group operations, hopefully to be enhanced going forward by the additional contributions of recent developments and the acquisition of the DENIS Group.

The financial position of the group remains sound, the group is sufficiently capitalised for its immediate needs and management will continue in the normal course, to promote organic growth and consider compatible bolt-on opportunities for acquisition. The impact and industry consequences of Covid-19 will be closely monitored, and the group will naturally consider any changes to its plans in response to any such events.

Directors

The following changes were made to the Board during the period under review:

- Mr I Kirk resigned as a Non-executive Director effective 12 September 2019, and was replaced by Mr G Allen on the same date (Mr Allen is a Sanlam representative with Healthcare experience).
- Ms HG Motau resigned as an Independent Non-executive Director effective 20 November 2019.
- Ms LL Dhlamini resigned as a Lead Independent Non-executive Director effective 31 March 2020.
- Ms AM le Roux was appointed as an Independent Non-executive Director effective 25 May 2020.
- Mr JB Fernandes, an existing Independent Non-executive Director assumed the role of Lead Independent Non-Executive Director effective 25 May 2020.
- Ms M Chauke was appointed as an Independent Non-executive Director effective 1 June 2020.
- Mr T Alsworth-Elvey resigned as a Non-executive Director effective 31 July 2020, and was replaced by Mr J Strydom effective 1 August 2020 (Mr. Strydom is a Sanlam representative who is currently the CEO of Sanlam Personal Finance).

Dividends

The Board has pleasure in announcing that in addition to the interim gross dividend per ordinary share of 17 cents, a final gross dividend of 17 cents per ordinary share has been declared for the year ended 30 June 2020. Dividends are subject to Dividends Withholding Tax. The payment date for the dividend is Monday, 16 November 2020.

- Dividends have been declared out of profits available for distribution.
- Local Dividends Withholding Tax rate is 20%.
- The gross dividend amount is 17 cents per ordinary share.
- Net cash dividend amount is therefore 13.60000 cents per ordinary share.
- The Company has 574 241 248 ordinary shares in issue as at the declaration date.
- The Company's income tax reference number is 9600/148/71/3.

The salient dates relating to the dividend are as follows:

Last day to trade cum dividend	Tuesday, 10 November 2020
Shares commence trading ex-dividend	Wednesday, 11 November 2020
Dividend record date	Friday, 13 November 2020
Dividend payment date	Monday, 16 November 2020

Share certificates for ordinary shares may not be dematerialised or rematerialised between Wednesday, 11 November 2020 and Friday, 13 November 2020, both days inclusive.

Basis of preparation

The financial information contained in this report is extracted from audited information, but is itself not audited. This announcement does not include the information required pursuant to paragraph 16A (i) of IAS34. The final report is available on our website (http://www.afrocentric.za.com/inv-reporting.php), or at our offices upon request. The Directors take full responsibility for the preparation of this report and the financial information has been correctly extracted from the underlying annual financial statements. The financial statements were audited by PricewaterhouseCoopers Inc. who expressed an unmodified opinion thereon. The audited financial statements and the auditor's report thereon are available for inspection at the Company's registered office.

On behalf of the Board

Dr ATM Mokgokong
Chairman

Mr A Banderker
Group Chief Executive Officer

Johannesburg
14 September 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Year ended 30 June 2020 R'000	Restated Year ended 30 June 2019 R'000
ASSETS		
Non-current assets	3 539 167	3 364 615
Property and equipment	210 583	220 409
Right of use asset	234 980	290 136
Land and buildings	261 374	196 149
Investment property	15 418	15 418
Goodwill **(NOTE 1)**	1 373 350	1 336 842
Intangible assets **(NOTE 1)**	1 321 837	1 219 170
Investment in associates	33 307	29 943
Other financial assets	3 711	–
Deferred income tax assets	84 607	56 548
Current assets	1 007 999	1 117 899
Trade and other receivables	504 335	531 494
Inventory	297 851	283 732
Current tax asset **(NOTE 3.1)**	28 133	37 377
Cash and cash equivalents	177 680	265 296
Total assets	4 547 166	4 482 514
EQUITY AND LIABILITIES		
Capital and reserves	2 216 604	2 095 282
Issued ordinary share capital	18 885	18 885
Share premium	1 080 301	1 080 301
Share-based payment reserve	20 417	11 286
Treasury shares	(2 324)	(2 324)
Capital contribution by non-controlling interest	55 874	55 874
Foreign currrency translation reserve	(14 632)	(3 114)
Distributable reserve	1 058 083	934 374
Non-controlling interest	902 491	787 713
Total equity	3 119 095	2 882 995
Non-current liabilities	705 492	881 194
Deferred income tax liabilities	246 809	230 228
Lease liability	181 427	261 104
Non-current borrowings **(NOTE 2)**	266 311	371 566
Non-current provisions	8 350	8 350
Post-employment medical obligations	2 595	2 611
Deferred payment	–	7 335
Current liabilities	722 579	718 325
Provisions	8 374	9 606
Borrowings **(NOTE 2)**	120 000	120 000
Lease liability	96 855	61 551
Trade and other payables	361 488	406 230
Taxation	33 086	32 279
Employment benefit provisions	102 776	88 659
Total liabilities	1 428 071	1 599 519
Total equity and liabilities	4 547 166	4 482 514

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% change	Year ended 30 June 2020 R'000	Restated Year ended 30 June 2019 R'000
Healthcare services revenue	1.4	3 304 907	3 258 658
Healthcare services operating costs	(1.0)	(2 684 060)	(2 710 237)
Healthcare services operating profit	13.2	620 847	548 421
Healthcare retail revenue	53.9	3 136 059	2 038 135
Healthcare retail cost of sales (NOTE 3.2)	51.0	(2 477 796)	(1 641 279)
Healthcare retail operating costs **(NOTE 3.2)**	51.1	(404 491)	(267 622)
Healthcare retail operating profit	96.4	253 772	129 234
Total healthcare operating profit (excluding lease reversals)	29.1	874 619	677 655
IFRS 16: Lease reversals	(8.8)	86 129	94 418
Total healthcare operating profit (Including lease reversals)	24.4	960 748	772 073
Loss on disposal of intangible assets		–	(40 000)
Fair value gain on investment disposal		197	118 715
Impairment of assets and loans		(2 919)	(68 587)
Net finance and investment income		(44 887)	(14 891)
– Finance and investment income		26 888	37 524
– Finance costs: Lease liability		(27 886)	(31 822)
– Finance costs		(43 889)	(20 593)
Share-based payment expense		(9 124)	(7 785)
Share of associate profits		7 990	18 479
Profit before depreciation and amortisation	17.2	912 005	778 004
Right of use asset depreciation	(13.2)	(71 781)	(82 666)
Depreciation	11.8	(62 514)	(55 909)
Amortisation of intangible assets **(NOTE 1)**	48.0	(164 153)	(110 941)
Profit before taxation	16.1	613 557	528 488
Taxation expense	7.9	(154 870)	(143 475)
Profit for the year after taxation	19.1	458 687	385 013
Other comprehensive (loss)/income	(90.9)	(368)	(4 040)
Comprehensive net income for the year	20.3	458 319	380 973
Attributable to:			
Equity holders of the Parent		303 207	265 841
Non-controlling interest		155 112	115 132
		458 319	380 973

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 30 June 2020 R'000	Restated Year ended 30 June 2019 R'000
Net cash inflow from operating activities	501 708	306 767
Cash generated from operations **(NOTE 3.3)**	939 745	663 536
Net finance (cost)/income	(44 887)	(27 351)
Dividends paid	(239 142)	(196 662)
Dividends received	4 626	4 168
Tax and other payments	(158 634)	(136 924)
Net cash outflow from investing activities	(431 749)	(679 396)
Net additions to property and equipment	(119 854)	(97 895)
Net additions to intangible assets	(284 210)	(241 697)
Net disposal/(acquisition) of financial assets, investments and subsidiaries	(27 685)	(342 404)
Repayment of loan by associate	–	2 600
Net cash outflow from financing activities	(157 195)	428 914
(Decrease)/increase in borrowings	(105 255)	491 566
Changes in ownership interests in subsidiaries that do not result in loss of control	6 303	–
Net lease liability repayment	(58 243)	(62 652)
Effect of foreign exchange benefit	(380)	(3 907)
Net (decrease)/increase in cash and cash equivalents	(87 616)	52 378
Cash and cash equivalents at beginning of the period	265 296	212 918
Cash and cash equivalents at end of the period	177 680	265 296

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 30 June 2020 R'000	Year ended 30 June 2019 R'000
Balance at beginning of the period	2 882 995	2 619 891
Issue of share capital	–	81 442
Adjustment to opening balance	–	(14 080)
Share-based awards reserve	9 131	7 785
Distributions to shareholders	(195 242)	(186 321)
Net profit for the period	303 207	265 841
Profit attributable to minorities	155 112	115 132
Business combinations	2 181	–
Changes in ownership	5 611	3 646
Distributions to non-controlling interests	(43 900)	(10 341)
Balance at end of period	3 119 095	2 882 995

EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS

	% change	Year ended 30 June 2020 R'000	Year ended 30 June 2019 R'000
Number of ordinary shares in issue		574 241 248	574 241 248
Weighted average number of ordinary shares		574 241 248	560 826 280
Weighted average number of shares for diluted EPS		586 141 248	569 396 280
Basic earnings	12.5	303 575	269 880
Adjusted by:		3 175	(4 639)
– Reversal of impairment of assets		2 919	67 515
– Reversal of fair value gains		–	(118 715)
– Loss on disposal of assets		2 130	44 694
Total tax adjustments		(596)	–
Total non-controlling interest adjustments		(1 278)	1 867
Headline earnings	15.6	306 750	265 241
Earnings per share (cents)			
– Attributable to ordinary shares (cents)	9.9	52.87	48.12
– Fully diluted EPS (cents)	9.3	51.79	47.40
Headline earnings per share (cents)			
– Attributable to ordinary shares (cents)	12.9	53.42	47.29
– Fully diluted HEPS (cents)	12.3	52.33	46.58

NORMALISED EARNINGS (NON IFRS MEASURE)

	% change	Year ended 30 June 2020 R'000	Year ended 30 June 2019 R'000
Heading earnings reconciliation	15.6	306 750	265 241
Adjusted by:		6 950	10 303
– *Less* rental reversal		(86 129)	(94 418)
– Depreciation		71 781	82 666
– Interest		27 886	31 822
Total tax effects of adjustments		(3 791)	(5 620)
Total NCI effects of adjustments		(2 797)	(4 147)
Normalised headline earnings	13.8	313 700	275 544
Normalised headline earnings per share (cents)			
– Attributable to ordinary shares (cents)	11.2	54.63	49.13
– Fully diluted HEPS (cents)	10.6	53.52	48.39

NOTES

NOTE 1

	Carrying value 2020 R'000	Carrying value 2019 R'000	Amortisation for the year 2020 R'000	Amortisation for the year 2019 R'000
Goodwill	1 373 350	1 336 842	–	–
Goodwill – AfroCentric Health	474 932	460 460	–	–
Goodwill – WAD Healthcare Assets	473 954	473 954	–	–
Goodwill – Activo*	424 464	402 428	–	–
Intangible Assets	1 321 837	1 219 170	(164 153)	(110 941)
Customer relationships – Retail cluster	38 498	46 708	(8 206)	(10 591)
Activo Dossiers	271 911	286 365	(14 454)	(3 613)
AfroCentric Health intangible assets	292 761	332 146	(54 131)	(44 570)
AfroCentric Health intangible PPA	39 733	55 149	(15 418)	(8 367)
AfroCentric Health intangible Software	253 028	276 997	(38 713)	(36 203)
Administration Systems – Self Generated	638 673	448 317	(61 722)	(21 393)
Nexus & Other Healthcare Administration Systems	461 250	253 152	(43 980)	(21 393)
AfroCentric Health Fusion	177 423	195 165	(17 742)	–
Insurance Fraud Manager (Fraud Management Sofware)	79 994	105 634	(25 640)	(30 774)
	2 695 187	2 556 012	(164 153)	(110 941)

** Post the acquisition of Activo Health in March 2019, a pre-acquisition dividend to the value of R22 million was declared and payment effected in December 2019. In terms of IFRS 3: Business Combination, the provisional accounting applied to the acquisition of Activo Health is finalised in December 2019, resulting in an increase in the trade and other payables by R22 million, with a corresponding increase in Goodwill.*

NOTE 2

Borrowings

	% change	Year ended 30 June 2020 R'000	Year ended 30 June 2019 R'000
Borrowings (non-current)		266 311	371 566
Borrowings (current)		120 000	120 000
	21.4	386 311	491 566

NOTE 3 RESTATEMENT OF JUNE 2019 RESULTS

Note 3.1

Statement of financial position

In the 2019 financial period, the Group had presented the taxation receivable net of its taxation payable obligations.

The restatement has been performed to comply with the requirements of IAS 12 as AfroCentric does not have a legal enforceable right to set off these amount, and does not intend to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Table below illustrates the impact of the statement of financial position restatement:

Consolidated statement of financial position	2019 As previously reported R'000	Adjustment increase/ (decrease) R'000	2019 Restated R'000
Current assets	1 085 620	32 279	1 117 899
Trade and other receivables	531 494	–	531 494
Cash and cash equivalents	265 296	–	265 296
Inventory	283 732	–	283 732
Current tax asset	5 098	32 279	37 377
Current Liabilities	686 046	32 279	718 325
Trade and other payables	415 836	–	415 836
Borrowings	120 000	–	120 000
Employment benefit liability	88 659	–	88 659
Lease liability	61 551	–	61 551
Taxation	–	32 279	32 279

Note 3.2

Statement of comprehensive income

In the 2019 financial period, the Group had presented the courier costs associated with the delivery of medication by Pharmacy Direct to its clients as "Healthcare operating expenses.

Due to the nature of these expenses, being associated with the final products, they have been reclassified to "Healthcare retail cost of sales".

This has been corrected as follows:

Statement of comprehensive income	2019 As previously reported R'000	Adjustment (increase)/ decrease R'000	2019 Restated R'000
Healthcare retail operating profit	129 233	–	129 233
Healthcare retail revenue	2 038 135	–	2 038 135
Healthcare retail cost of sales	(1 565 338)	(75 941)	(1 641 279)
Healthcare retail operating costs	(343 563)	75 941	(267 622)

Note 3.3

Cashflow restatement

On the early adoption and implementation of IFRS 16: Leases, the cash flows relating to the lease liability (i.e. lease liability interest repayment and lease liability capital repayment) were incorrectly accounted for on the cash flow statement disclosed on the annual results.

The total lease liability repayment (capital and interest) was incorrectly incorporated on the computation of the cash generated from operations, and the interest on the lease liability was not deducted from the cash generated from operations in computing the cash flows from operating activities.

The resultant impact is that the lease liability capital repayment was incorrectly recognised as a cash flow from operating activities instead of recognition as a cash flow from financing activities.

This has been corrected as follows:

Extract of the cash flows from operating activities

Financial Statement Lime	2019 As previously reported R'000	Adjustment (increase)/ decrease R'000	2019 Restated R'000
Cash generated from operations	569 062	94 474	663 536
Net finance income/ (cost)	4 471	(31 822)	(27 351)
Distribution to shareholders	(196 662)	–	(196 662)
Dividends received	4 168	–	4 168
Tax and other payments	(136 924)	–	(136 924)
Net cash flows from operating activities	**244 115**	**62 652**	**306 767**

Extract of the cash flows from financing activities

Financial Statement Lime	2019 As previously reported R'000	Adjustment (increase)/ decrease R'000	2019 Restated R'000
Increase in borrowings	491 566	–	491 566
Lease liability capital repayment	–	(62 652)	(62 652)
Net cash flows from financing activities	**491 566**	**(62 652)**	**428 914**

The net impact of the restatement is the correct disclosure of the lease liability capital repayment as a cash flow from financing activities. This correction has not had an impact on the cash and cash equivalents.

SEGMENTAL ANALYSIS

	Growth June 2020/2019 Revenue %	Growth June 2020/2019 Operating profit %	30 June 2020 Revenue R'000	30 June 2020 Operating profit R'000	30 June 2020 Operating margin %	30 June 2019 Revenue R'000	30 June 2019 Operating profit R'000	30 June 2019 Operating margin %
Healthcare SA	4	44	**3 130 262**	**266 127**	**9**	3 002 327	184 683	6
Information Technology	(14)	–	**544 054**	**298 281**	**55**	632 918	296 999	47
Total SA administration business	1	17	**3 674 316**	**564 408**	**15**	3 635 245	481 682	13
Healthcare Africa	1	(15)	**204 140**	**56 439**	**28**	202 842	66 554	33
Total Group administration business	1	13	**3 878 456**	**620 847**	**16**	3 838 087	548 236	14
Healthcare Retail	54	96	**3 136 059**	**253 772**	**8**	2 038 135	129 234	6
Pharmacy Direct & Curasana Wholesaler	(13)	16	**1 128 664**	**95 772**	**8**	1 294 599	82 756	6
Activo	236	243	**645 914**	**132 196**	**20**	192 327	38 546	20
Scriptpharm	214	67	**1 014 939**	**21 979**	**2**	322 738	13 155	4
Mmed	52	173	**346 542**	**3 825**	**1**	228 471	(5 223)	(2)
Total Healthcare	19	29	**7 014 515**	**874 619**	**12**	5 876 222	677 470	12
Lease reversal adjustment	–	(9)	**–**	**86 129**	**–**	–	94 418	–
Other (including inter-segment elimination)	(1)	(100)	**(573 549)**	**–**	**–**	(579 430)	185	–
Total	22	24	**6 440 966**	**960 748**	**15**	5 296 792	772 073	15

	Growth June 2020/2019 Profit before tax %	Growth June 2020/2019 Profit after tax %	30 June 2020 Profit before tax R'000	30 June 2020 Profit after tax R'000	30 June 2020 Net margin %	30 June 2020 Total assets R'000	30 June 2019 Profit before tax R'000	30 June 2019 Profit after tax R'000	30 June 2019 Net margin %	30 June 2019 Restated Total assets R'000
Healthcare SA	17	38	**196 426**	**142 713**	**5**	**3 900 683**	167 465	103 283	3	3 972 947
Information Technology	97	245	**149 014**	**112 817**	**21**	**971 460**	75 799	32 690	5	866 777
Total SA administration business	42	88	**345 440**	**255 530**	**7**	**4 872 143**	243 264	135 973	4	4 839 724
Healthcare Africa	(20)	(33)	**50 728**	**32 221**	**16**	**139 627**	63 383	48 311	24	149 054
Total Group administration business	29	56	**396 168**	**287 751**	**7**	**5 011 770**	306 647	184 284	5	4 988 778
Healthcare Retail	100	115	**235 829**	**178 924**	**6**	**1 066 255**	117 784	83 122	4	920 610
Pharmacy Direct & Curasana Wholesaler	31	52	**81 156**	**63 364**	**6**	**489 502**	62 038	41 642	3	507 004
Activo	163	139	**131 579**	**94 088**	**15**	**350 683**	49 939	39 291	20	294 959
Scriptpharm	89	179	**30 565**	**22 762**	**2**	**103 021**	16 169	8 164	3	14 254
Mmed	(28)	(78)	**(7 471)**	**(1 290)**	**–**	**123 049**	(10 362)	(5 975)	(3)	104 393
Total Healthcare	49	75	**631 997**	**466 675**	**7**	**6 078 025**	424 431	267 406	5	5 909 388
Lease reversal adjustment	–	–	**–**	**–**	**–**	**–**	(20 070)	(14 450)	–	–
Other (including inter-segment elimination)	(115)	(106)	**(18 440)**	**(7 988)**	**(1)**	**(1 530 859)**	124 127	132 057	–	(1 426 874)
Total	16	19	**613 557**	**458 687**	**7%**	**4 547 166**	528 488	385 013	7	4 482 514

Composition of operating profit – % contribution	Operating profit 2020 %	Operating profit 2019 %	Operating profit 2020 R'000	Operating profit 2019 R'000
Total SA administration business	**67**	74	**643 371**	569 658
Healthcare Africa	**6**	9	**57 861**	70 087
Healthcare Retail	**27**	17	**259 516**	132 328
	100	100	**960 748**	772 073

COMPANY INFORMATION

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")

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MJM Madungandaba** *(Deputy Chairman)*
A Banderker*** *(CEO)*
JW Boonzaaier*** *(CFO)*
SE Mmakau*** *(CIO)*
G Allen**
WH Britz***
JB Fernandes* *(Lead)*
ND Munisi**
AM le Roux*
M Chauke*
J Strydom**
SA Zinn*

*independent non-executive **non-executive ***executive

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