33. SUBSEQUENT EVENTS

33.1 Acquisition of Dental Information Systems Holdings Proprietary Limited

AfroCentric Group will be acquiring 100% of the dental benefit management company, Dental Information Systems Holdings Proprietary Limited (DENIS Group), effective 1 October 2020.

The acquisition of DENIS Group enables the Group to focus specifically on cost reduction and innovation in the dental treatment offerings to medical scheme members.

The financial effects of this transaction have not been recognised at 30 June 2020. The operating results and assets and liabilities of the acquired company will be consolidated from 1 October 2020.

Purchase consideration and fair value of net assets acquired

Details of the consideration transferred are:

	R'000
Purchase consideration	
– Cash paid	170 000
– Contingent consideration	–
Total purchase consideration	170 000

The provisionally determined fair value of the assets and liabilities of the DENIS Group as at the date of acquisition are as follows:

	Fair value R'000
Cash and cash equivalents	139 655
Property, plant and equipment	71 635
Intangible assets	17
Intangible assets – customer contracts	108 616
Incurred but not reported (IBNR) and claims provision	(45 459)
Receivables	5 391
Payables	(24 820)
Equity investments	15 540
Other financial assets	174
Other financial liabilities	(1 336)
Net deferred tax assets	(25 843)
Taxation	3 855
Dividend payable	(80 000)
Net identifiable assets acquired	167 425
Add: Goodwill	2 575
Net assets acquired	170 000

The goodwill is attributable to DENIS Group's strong position and profitability in dental risk management services. None of the goodwill is expected to be deductible for tax purposes.

In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised.

It is also not yet possible to provide detailed information about each class of acquired receivable and any contingent liabilities of the acquired entity.

33. SUBSEQUENT EVENTS (CONTINUED)

33.2 Acquisition of additional shares in Scriptpharm Risk Management Proprietary Limited

AfroCentric acquired an 80% interest in Scriptpharm in 2017. Effective 1 August 2020, AfroCentric Group has acquired the additional 20% from the minority shareholder for the value of R20 million.

The terms of the call option are substantially dictated by the valuation formulae and payment options provided for in the master sale agreement.

33.3 Director changes

Mr T Alswoth-Elvey resigned as a Non-executive Director effective 31 July 2020, and was replaced by Mr J Strydom effective 1 August 2020.

34. IMPACT OF COVID-19 AND GOING CONCERN

The COVID-19 outbreak has significantly affected lives, entities and economic activity around the world. In 2020, many countries around the world have, among other radical actions, implemented national lockdowns as part of attempts to contain the spread of the virus.

Responding to the COVID-19 outbreak world-wide, the South African President declared a national state of disaster on 15 March 2020 with a partial travel ban, closing of schools and prohibiting of large gatherings of people. Following this action, on 23 March 2020, the South African President declared a national lockdown, with only certain core essential services (and their related employees) allowed to continue working as normal, in the interest of maintaining the availability of such essential services (one of which included healthcare services) to the citizens of South Africa. The lockdown was then further extended by the President on 9 April 2020, with a tentative, unconfirmed end date planned for the end of September 2020.

The COVID-19 pandemic and related nation-wide lockdown have not interfered with the Group and its subsidiary entities' ability to continue in operation and the usual levels of operations of the business have continued as normal even during all the levels of the lockdown periods.

The impact of the COVID-19 pandemic and the related lockdown is immaterial, as the Group has since been able to continue in operation during the pandemic in an unaffected manner. The following factors were considered in the going concern assessment:

» Revenue – The Group's core business of administration of medical aid and provision of medication is considered to be a healthcare-related essential service and has remained unaffected by the COVID-19 lockdown. The Group revenue has therefore remained unaffected.

» Inventory – The Group and its subsidiary entities have experienced no disruption in the supply chain during the year and this is expected to continue in the 2021 financial year.

» Financial instrument risk disclosures – Due to the rapidly changing economic environment, the Group and its subsidiary entities have been subject to an increasing market risk and fair value risk. To this effect, the Group's sensitivity analysis has been performed using a larger range for the risk affected variables (Notes 7 and 8). This range is based on management's expectation of COVID-19.

» Borrowings repayment and classification – The outstanding balance of the Group's borrowings as at 30 June 2020 is R386 million. The Group is not in breach of the covenants. The Group is anticipating to make R120 million payments in the next 12 months as and when they become due. No deferral of capital repayments is expected.

The consolidated and separate financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The AfroCentric Group and its subsidiary companies will still continue to operate as going concerns as there are sufficient financial resources to continue operating into the future.

The COVID-19 pandemic and related nation-wide lockdown have not interfered with the Group's ability to continue its operations as the entities have continued as normal even during the lockdown period, seeing as the following were deemed to be a healthcare-related essential service:

» Administration of medical aids;

» Provision of chronic medication;

» Supply and distribution of medicine;

» Primary and occupational healthcare services;

» Information technology solutions; and

» Health insurance.