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.

34. IMPACT OF COVID-19 AND GOING CONCERN (CONTINUED)

The current contracts in place with the various medical aid schemes, private and public practitioners are not under threat as services were performed throughout all the respective levels of lockdown.

Furthermore, there has not been any regulatory changes announced by the President of South Africa that will threaten the Company's ability to continue as a going concern.

35. RESTATEMENT OF JUNE 2019 RESULTS

35.1 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 reflect the gross taxation view as this is deemed to be more appropriate.

The table below illustrates the impact of the statement of financial position restatement:

	2019 As previously reported R'000	Adjustment increase/ (decrease) R'000	2019 Restated R'000
Consolidated statement of financial position			
Current asset	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

35.2 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 other expenses.

Due to the nature of these expenses, presenting these costs as cost of distribution of pharmaceutical products is deemed to be more appropriate. This reclassification did not have an impact on the Group's profit nor any income statement ratios.

This has been corrected as follows:

	2019 As previously reported R'000	Adjustment increase/ (decrease) R'000	2019 Restated R'000
Statement of comprehensive income			
Cost of distribution of pharmaceutical products	–	(75 941)	(75 941)
Other expenses	(937 874)	75 941	(861 933)