Notes to the financial statements continued

for the year ended 30 JUNE 2021

34. Subsequent events

Acquisition of Exeltis South Africa Proprietary Limited

AfroCentric via its subsidiary, Activo Health Proprietary Limited, entered into a sales of share agreement with Shelsley Chemicals Proprietary Limited to acquire all of the shares in Exeltis South Africa Proprietary Limited, effective 1st August 2021.

The name of Exeltis South Africa Proprietary Limited has subsequently been changed to Activo Health Care Assets Proprietary Limited.

Exeltis South Africa is the holding company of Forrester Pharma Proprietary Limited, involved in the marketing, selling and distribution of pharmaceutical products in South Africa, Namibia and Botswana. The company owns a number of registered legal rights to manufacture and distribute a specific medicine molecule/brand and have the right to a substantial pipeline of Dossiers in the process of being registered with the South African Health Products Regulatory Authority ("SAHPRA").

The financial aspects of this transaction have not been recognised at 30 June 2021. The operating results and assets and liabilities of the acquired company will be consolidated 1st August 2021.

(i) Purchase consideration and fair value of net assets acquired

Details of the consideration transferred are:

	R'000
Purchase consideration	
Cash paid*	189 244
Contingent consideration	101 120
Total purchase consideration	290 364

* *Included in the cash paid is the R150 million loan advance made to the owners of Exeltis in May 2021 as referred to in Note 3. This loan advance has been applied against the purchase price.*

AfroCentric Group has provided a guarantee to Shelsley Chemicals Proprietary Limited that Activo Health Proprietary Limited will be able to meet its financial obligations as set out in the terms and conditions of sale.

The provisionally determined fair value of the assets and liabilities of the Exeltis South Africa Proprietary Limited as the date of acquisition are as follows:

	Fair value R'000
Cash and cash equivalents	1 171
Property, plant and equipment	151
Intangible assets	27 537
Intangible assets – new dossier registration	83 139
Receivables	178
Payables	(760)
Net deferred tax assets	6 638
Net identifiable assets acquired	118 054
Add: Goodwill	172 310
Net assets acquired	290 364

The goodwill is attributable to Exeltis Group substantial pipeline of first to market generic molecules, 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.

Acquisition of Sanlam Gap Cover

AfroCentric Health (RF) Proprietary Limited, has entered into negotiations with Sanlam Health Solutions Proprietary Limited for the acquisition of a Gap Cover business that is supplementary to its current medical scheme offerings.

35. Going Concern

The Group Annual Financial Statements have been prepared on the going concern basis. The Board performed a review of the Group's ability to continue as a going concern in the foreseeable future and therefore, based on this review, considers the preparation of the Annual Financial Statements on this basis to be appropriate.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

36. Impact of COVID-19 on the Going concern

The wide-spread international outbreak of the COVID-19 (Coronavirus) has significantly affected lives, and entities and economic activity around the world.

The COVID-19 pandemic has continued to effect economic activities across the globe and South Africa has not been spared. In an effort to stem the growth in cases, South Africa has been placed on various levels of lockdown's throughout 2021 financial period. AfroCentric Group on entities have been deemed essential services as defined and we have continued to operate unaffected during all the various levels of lockdown.

Therefore the impact of the COVID-19 pandemic and the related lockdown is immaterial. The following are potential future financial effects on the company:

» 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 financial 2022 period.

» 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 effected variables (Notes 3 and 8). This range is based on management expectation of COVID-19.

» Borrowings repayment and classification – The Group has borrowings as at 30 June 2021 the outstanding balance is R776 million, the Group is not in breach of the covenants. The entity 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.

With the occurrence of the COVID-19 (Coronavirus) pandemic, 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 near future.

The COVID-19 pandemic and related, nation-wide lockdown (as outlined in note above) have not interfered with the Group's ability to continue its operations the entities have continued as normal even during the lockdown period, seeing as the following:

» Administration of medical aids;

» Provision of chronic medication;

» Supply and distribution of medication;

» Primary and occupational healthcare services;

» Information technology solutions; and

» Health insurance.

were deemed to be a healthcare-related essential service.

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.

While the fierce headwinds of COVID-19 have put our most deeply held values to the test, our people have, time and time again, proven their resilience and commitment to delivering on our ambition of improving the quality of life of our stakeholders. Through the various alert levels and restrictions, our people have collaborated and supported one another to achieve broader aims. This was aptly demonstrated post-year-end as we navigated the unrest in areas of the country. The Group remained insulated and the unrest did not impact our operations.

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.