



ADVANCED HEALTH LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2013/059246/06)

("the Company" or "Advanced Health")

ISIN Code: ZAE000189049 JSE Code: AVL

DETAILED TERMS ANNOUNCEMENT REGARDING THE DISPOSAL OF ADVANCED EAST RAND DAY HOSPITAL PROPRIETARY LIMITED

1 INTRODUCTION AND BACKGROUND TO THE TRANSACTION

Shareholders are referred to the cautionary announcement released on SENS on Wednesday, 23 September 2020, in which Shareholders were advised that as part of the restructuring, the board of directors has taken the decision to dispose of its underperforming facilities. As a result the assets and liabilities attributable to these subsidiaries have been classified as a disposal group as at 30 June 2020.

Shareholders are further advised that Advanced Health, through a 56.6% owned subsidiary of the Advanced Health group, Advanced East Rand Day Hospital Proprietary Limited ("East Rand Day Hospital") has entered into an agreement with 52 Olivia Road Hospital Proprietary Limited ("the Purchaser") in terms of which East Rand Day Hospital will sell to the Purchaser, its business as a going concern for a maximum consideration of R12 797 000, ("Transaction" and "Transaction Agreement").

2 BACKGROUND TO EAST RAND DAY HOSPITAL

East Rand Day Hospital has opened its doors in 2018. Situated in Boksburg, it conducts business as a day hospital, including short procedure surgical services which can be performed on a same day basis (the "Business").

3 BACKGROUND TO THE PURCHASER

The Purchaser, 52 Olivia Road Hospital Proprietary Limited, registration number 2020/571712/07 herein represented by Dr. Vic Diab, is a private company duly incorporated in South Africa on 23 July 2020, for the sole purpose of procuring the business of the Advanced East Rand Day Hospital. The current directors of the company are Mr L E Greeff, Mr H A Grove, Dr F N Schutte and Dr V G Diab.

The remaining shareholding of the company remains open for subscription.

4 RATIONALE FOR THE TRANSACTION

In the reviewed condensed consolidated annual financial statements for the year ended 30 June 2020, which was released on SENS on 25 September 2020, attention was drawn to Going Concern of the Advanced Health group.

The reviewed condensed consolidated annual financial statements were prepared on the basis of accounting policies applicable to a going concern. This basis presumed that funds will be available to finance future operations and the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The ability of the Group to continue as a going concern was dependent on the directors procuring funding for the ongoing operations of the Group.

The conclusion of the Transaction will contribute in securing such funding for the Advanced Health Group and secure the ability of the group to continue operating as a going concern.

5 KEY TERMS OF THE TRANSACTION

5.1 Transaction Agreement

In terms of the Transaction Agreement the Purchaser will acquire and East Rand Day Hospital will sell, the Business as a going concern, which includes the assets, goodwill, intellectual property rights, continuing contracts, licence and all trading stock held by East Rand Day Hospital, which are utilised by East Rand Day Hospital in the operation of the Business and which are further detailed below:

5.1.1 Assets

Those assets utilised by East Rand Day Hospital to conduct the Business, valued at a total of R10 518 027, which includes plant and machinery, catering equipment, computer equipment, furniture and fittings, instruments, leasehold improvements, linen, medical equipment and office equipment (“Assets”).

5.1.2 Intellectual property rights

The Purchaser shall obtain the intellectual property of East Rand Day Hospital insofar as such intellectual property forms part of the Business and is utilised by East Rand Day Hospital in order to conduct the Business.

The intellectual property and rights includes any and all patient records and reports generated by East Rand Day Hospital while conducting the Business and any licenses, permits or other authorities required for the running and operation of the Business.

5.1.3 Licence

The operating license of East Rand Day Hospital issued by the Department of Health to conduct the Business (“Licence”).

5.1.4 Continuing contracts

Medium to longer term contracts with relevant suppliers and service providers of East Rand Day Hospital will be transferred to the Purchaser.

With effect from the Effective Date East Rand Day Hospital will cede and assign to the Purchaser, whom will accept, all its rights and obligations under every Continuing Contract as specified in the Transaction Agreement.

Where consent is not granted by any other party for any Continuing Contract to be ceded and assigned to the Purchaser, the Purchaser shall perform all East Rand Hospitals obligations under such Continuing Contract, with effect from the Effective Date, in accordance with the provisions of that Continuing Contract, as if the Purchaser were a subcontractor to East Rand Day Hospital.

East Rand Day Hospital indemnifies the Purchaser against all claims and liabilities properly attributable to it, that may arise in terms of the Continuing Contracts before the Effective Date and the Purchaser similarly indemnifies East Rand Day Hospital against all claims and liabilities that may arise after the Effective Date.

5.1.5 Trading stock

The parties will conduct an inventory of the trading stock of the Business at the close of business on the business day preceding the Fulfilment Date, or such prior date as mutually agreed by the parties, and determine the value of the trading stock. That trading stock inventory will be the final inventory and final determination of the value

of the trading stock for purposes of inclusion in the Transaction Consideration, in terms of the Transaction Agreement.

The trading stock will be valued at the cost price, excluding vat, at which it was acquired by East Rand Day Hospital, plus delivery costs. The maximum value of the stock is not expected to be more than R1 000 000.

5.2 Transaction Consideration

The total maximum transaction consideration is the sum of R11 797 000, including VAT, plus the value of the trading stock as detailed in 5.1.5 above, estimated at less than R1 000 000 (“Transaction Consideration”).

In determining the final amount payable the following will be deducted from the Transaction Consideration:

- Staff liabilities the Purchaser may inherit by application of section 197 of the Labour Relations Act 66 of 1995 (“LRA”), which amount shall not exceed R500 000;
- R450 000, which accounts for the depreciation in value and being the maximum deductible amount for all linen and bedding items forming part of the Assets;
- R147 729.60 for the depreciation of instruments utilised in the Business as determined on the fulfilment date;
- The value of any assets not present on the premises, functional or confirmed by the purchaser at the inventory of trading stock. Any such asset shall continue to be owned by East Rand Day Hospital;
- Any liabilities or claims as a direct result of the Business or relating to the Assets being transferred to the Purchaser, uncovered by the due diligence investigation and which amounts the Purchaser may be able to prove.

The Transaction Consideration will be payable in cash on the Fulfilment Date or the date all the suspensive conditions have been fulfilled or waived, to an escrow account. The Transaction Consideration will be kept in escrow until the later of the Effective Date or the date the Assets have been transferred to the Purchaser.

The Proceeds of the Transaction will be utilised towards settling outstanding creditors as at the Effective Date.

5.4 Fulfilment and Effective date

The Fulfilment Date is 10 January 2021. The effective date is the first calendar day of the calendar month on which all the suspensive conditions detailed in 5.5 are fulfilled or waived, expected to be 1 February 2021.

5.5 Suspensive conditions

As at the date of this announcement, the Transaction Agreement is subject to the fulfilment of the following suspensive conditions, by the Fulfilment Date, unless the conditions are waived by the relevant parties in terms of the Transaction Agreement:

- The Purchaser shall obtain the necessary funds and guarantee in writing that it has sufficient funds to pay the Transaction Consideration;
- The Purchaser shall conduct a due diligence investigation and will deliver to East Rand Day Hospital a due diligence notice if the purchaser is satisfied with the outcome of the investigation;

- The Purchaser will enter into a cession and delegation agreement with the owner of the premises located at 52 Olivia Road, Eveleigh Boksburg 1459 (the “Premises”), to cede and delegate the lease agreement between East Rand Day Hospital and the owner of the Premises, in terms of which the owner lets to East Rand Day Hospital who currently hires the Premises to perform the Business and such agreement has become unconditional with its terms, save for any condition requiring that the Transaction Agreement becomes unconditional;
- If the owner of the Premises and the Purchaser are unable to agree to the terms of the cession and delegation agreement then in the alternative, the lease agreement may be cancelled between the owner and East Rand Day Hospital and a new agreement may be concluded between the owner and the Purchaser;
- The Purchaser must obtain in writing, the relevant approval and authorisation from the Department of Health to transfer the License from East Rand Day Hospital to the Purchaser. The costs of the transfer will be split between East Rand Day Hospital and the Purchaser;
- Advanced Health shall provide a written guarantee regarding the performance of East Rand Day Hospital and secure the Purchaser in writing against any liability in relation to claims by third party creditors against the Assets for a period of two years from the Effective Date. The guarantee is in the process of being negotiated;
- The parties shall obtain all the required regulatory approvals applicable to the Business and the sale of the Business;
- Both East Rand Day Hospital and the Purchaser shall be registered VAT vendors;
- East Rand Day Hospital shall provide a copy of the resolution of its board of directors and shareholders, unconditionally approving the Transaction, to the Purchaser;
- The Purchaser shall provide a copy of the resolution of its board of directors and shareholders, unconditionally approving the Transaction to East Rand Day Hospital;
- East Rand Day Hospital must provide written confirmation to the Purchaser that no Material Adverse Change has occurred in relation to the Business during the period between 26 October 2020 and the Fulfilment Date;
- East Rand Day Hospital must provide written confirmation to the Purchaser that all consents pertaining to the change of control provisions contained in the Continuing Contracts, between East Rand Day Hospital and counterparties have been obtained from such counterparties to the extent that the conclusion of the Transaction Agreement is approved and that such Continuing Contracts will continue in accordance with the existing terms after the Effective Date; and
- East Rand Day Hospital must provide to the Purchaser, letters of confirmation from all third-party suppliers and/or creditors who currently have, or had in the past 12 months, any claim in relation to the Assets, including but not limited to ABSA Bank, which letters shall stipulate that such third-party creditor claims have been met and/or extinguished, or will be met and/or extinguished through receipt of payment of a portion of the Purchase Price.

5.6 Other key terms of the Transaction Agreement

5.6.1 Due Diligence

The Purchaser has been granted the exclusive right to conduct a due diligence investigation between the signature date and the Fulfilment Date. As detailed in the suspensive conditions in 5.5, the Purchaser must deliver to East Rand Day Hospital a due diligence notice if the purchaser is satisfied with the outcome of the investigation by no later than the Fulfilment Date.

5.6.2 Transferring of employees

As part of the sale of the Business as a going concern and in terms of section 197(2) of the LRA, the Purchaser will take over the employment of all the employees of the Business immediately prior to the Effective Date.

East Rand Day Hospital and The Purchaser have provided cross indemnities to each other, regarding any claims or liabilities that may arise from transferring employees prior to and after the Effective date as may be relevant.

5.6.3 Warranties

The Transaction Agreement further contains legal warranties and indemnities which are considered normal in respect of a transaction of this nature.

6 PROFIT AND NET ASSET VALUES ATTRIBUTABLE TO EAST RAND DAY HOSPITAL

The net assets of East Rand Day Hospital, as per the reviewed annual financial statements for Advanced Health for the 12 months ended 30 June 2020, were (R905 249). The profit after tax attributable to the net assets of East Rand Day Hospital, for the same period were R350 976.

The reviewed annual financial statements for Advanced Health were prepared in accordance with International Financial Reporting Standards (“IFRS”) as appropriate for-profit-oriented entities.

7 CATEGORISATION OF THE TRANSACTION

The Transaction is categorised as a category 2 disposal for Advanced Health in terms of the Listings Requirements of the JSE Limited and is therefore not subject to Advanced Health shareholder approval.

Johannesburg

6 November 2020

Designated Advisor

Grindrod Bank Limited

