



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 VERGELEGEN SURGICAL CENTRE 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, together with Advanced Health South Africa Proprietary Limited ("AHSA") and Advanced Vergelegen Surgical Centre Proprietary Limited ("Vergelegen") (a 60% subsidiary of AHSA) (together the "Seller"), has entered into an agreement with Hibosys Proprietary Limited, operating as Summerhill Surgical Centre ("Hibosys" or the "Purchaser") in terms of which the Seller will sell to the Purchaser, its business as a going concern for a maximum consideration of R18 150 000 ("Transaction" and "Transaction Agreement").

2 BACKGROUND TO EAST VERGELEGEN

Vergelegen opened its doors in 2016. Situated in Somerset West, 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

Hibosys, operating as Summerhill Surgical Centre, is a physician-led company consisting of eleven world-class experts working together across specialties to give unparalleled care. Dedicated to improving the quality of healthcare through safe, cost effective and excellent healthcare service.

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 the Seller will sell, the Business as a going concern, which includes all the assets of Vergelegen used in or in connection with the Business, comprising:

- 5.1.1 Assets, as per the inventory listed in the Transaction Agreement, but not limited to, and includes in general all furniture; equipment; generator; fixtures and fittings; linen; instruments and IT infrastructure used in connection with the Business;
- 5.1.2 Vergelegen's rights, title and interests in and to the contracts detailed in the Transaction Agreement, entered into or to be entered into by the Seller, on or before the Effective Date, for the purposes of conducting the Business and which contracts are essential for the continued operation of the Business following the Effective Date (the "Continuing Contracts");
- 5.1.3 Vergelegen's rights, title and interests in and to the employment contracts in place between Vergelegen and those individuals employed by Vergelegen in the Business (the "Employees") (the "Employment Contracts");
- 5.1.4 the stock in trade of Vergelegen relating to the Business as detailed in the Transaction Agreement (the "Stock");

The parties will undertake a full and complete stocktaking of all the Stock and Assets of the Business as soon as possible after the Effective Date, which will determine the value of the Stock. The Stock will be valued at the lower of cost or the net realisable value.

All Stock items that are materially damaged, or unsalable or unusable, incomplete, redundant, obsolete or not of normal commercially accepted standards, or which will become obsolete/ unusable within two months of the Effective Date will be excluded from Stock and will remain the property of the Seller.

- 5.1.5 all intellectual property rights, including all copyrights, patent rights and potential patent rights relating to methods, inventions, discoveries, information, reports, contact lists, methodologies, frameworks, training materials, templates and other proprietary or protectable matters relating to the Seller's Business, whether or not such intellectual property rights are of a registrable nature, as detailed in the Transaction Agreement ("Intellectual Property Rights") and any subject matter, whether tangible or intangible, that attracts or is susceptible to protection by Intellectual Property Rights in respect of the Business ("Intellectual Property");
- 5.1.6 all current telephone number(s), facsimile number(s), website(s) and e-mail(s) used in the Business;
- 5.1.7 the operating license of the Seller issued by the Department of Health in order to conduct the Business (the "Operating License"); and
- 5.1.8 other licenses to the extent that such are assignable.

(together the "Business Assets")

The sale of the Business does not include trade and other debtors. The Seller shall be entitled to for its own gain and at its own cost recover all amounts due by its debtors.

5.2 Effective date

The effective date is 1 March 2021, subject to the fulfilment of the last of the Suspensive Conditions, as detailed in paragraph 5.4 below.

The Seller is obliged to, at its cost, advertise the sale of the Business in terms of Section 34 of the Insolvency Act 24 of 1936 as amended, before 1 February 2021. If the 30 day notice period of such advertisement expires earlier than 1 March 2021, then such earlier date will be the effective date.

(together the "Effective Date")

5.3 Transaction Consideration

The total maximum transaction consideration is the sum of R17 000 000, including VAT, plus the value of the Stock, estimated at less than R1 150 000 ("Transaction Consideration").

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

- The agreed value in respect of the excluded assets. The excluded assets will be identified on the Effective Date during the stocktake. Any assets which are encumbered, missing, materially damaged, incapable of being used or will become incapable of being used within a period of 12 months from the Effective Date due to any reasons other than normal wear and tear, or out of normal commercially acceptable standards, will be removed from the Business Assets ("Excluded Assets"). A replacement value will be determined for the Excluded Assets and this value will be deducted from the Transaction Consideration;
- Any amount outstanding/ unpaid by the Seller as at the Effective Date, in respect of accrued leave, bonus or other payments due to Employees arising before and up to the Effective Date.

The Transaction Consideration will be payable in cash, within 5 days of the Effective Date.

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

5.4 Linked Agreements

The parties will enter into the following agreements that is linked to the Transaction Agreement:

- A management/service level agreement in terms of which the Seller is appointed by the Purchaser to provide the necessary management and other services to the Purchaser to ensure that the Business continues to operate fully and effectively, subject to certain minimum performance requirements, which appointment shall endure for a minimum period of one year;
- An agreement to cede and assign the Operating License and all other licenses capable of being transferred from the Seller to the Purchaser, if required; and
- An new lease agreement to be concluded between the Purchaser and the owner of the Business premises, effective form the Effective Date.

(together the "Linked Agreements").

5.5 Suspensive Conditions

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

- The Linked Agreements are concluded between the parties by 22 February 2021;
- That all or any suspensive conditions contained in the Linked Agreements are fulfilled by 22 February 2021, with the result that the Linked Agreements accordingly become binding and unconditional within the stated period;
- The seller obtains, in writing and provide to the Purchaser, by 22 February 2021, the relevant approval and authorisation from the Department of Health to transfer the Operating License from the Seller to the Purchaser;
- The Purchaser obtains, by 5 February 2021, approval for bank finance for at least 80% of the Transaction Consideration and confirmation that the funds will be available by the Effective Date. (The Seller acknowledges that the registration of a notarial bond over the Assets will be required in order to secure such funding and the Seller shall provide the necessary information and such reasonable assistance to the Purchaser to ensure that the required notarial bond can be registered. It is recorded that there is a current bond in favour of ABSA bank, and the Seller and the Purchaser will co-operate so that the current bond can be cancelled and the new bond registered simultaneously on payment of the Transaction Consideration);
- Approval of the Transaction by special resolution of the shareholders of Vergelegen in terms of sections 112 and 115 of the Companies Act by 22 February 2021;
- All other necessary board and/ or shareholder approvals of the Seller and the Purchaser to be obtained by 22 February 2021;
- The parties shall obtain any and all legislative/ regulatory requirements for the Transaction by 22 February 2021; and
- The Seller providing written confirmation to the Purchaser, to the satisfaction of the Purchaser, on the Effective Date that no material adverse change has occurred in relation to the Business during the period between signature of the Transaction Agreement and the Effective Date.

5.5 Other key terms of the Transaction Agreement

5.5.1 Creditors and Business Liabilities

The Sale of the Business does not include liabilities of the Seller that arose from the conduct of the Business prior to and existing at the Effective Date (“Business Liabilities”), including all the claims by creditors of the Business against the Seller on the Effective Date (“Accounts Payable”).

As stated in paragraph 5.2, the Seller is obliged to, at its cost, advertise the sale of the Business in terms of Section 34 of the Insolvency Act 24 of 1936 as amended, before 1 February 2021.

The Seller undertakes to settle all Business Liabilities and all claims in respect of the business that arose up to the Effective Date and settle all creditors of the Business in accordance with the trade terms of such creditors, as and when the creditors fall due for payment or pursuant to any claims which may be lodged by the creditors after the placing of the advertisement of the Business.

Vergelegen, AHSA and Advanced Health jointly and severally indemnify the Purchaser from any liability in respect of all acclaims arising from/ in connection with the Business up to the Effective Date and any claims from any third party which may arise

due to non-payment of amounts due by the Seller in respect of the Business Liabilities however arising as well as claims arising from the sale and purchase of the Business. On the event that any creditor of the Business should make any claims against the Purchaser, the Seller shall make payment of such claim immediately and shall provide the Purchaser with proof of such payment.

The Seller warrants that all credit account loans, finance and other agreements, suretyships, warranties and other obligations undertaken by the Business in the 36 months prior to the Effective Date shall have been settled in full and/or cancelled lawfully by the Seller by the Effective Date, unless otherwise agreed between the parties in writing.

5.5.2 Transferring of employees

As part of the sale of the Business and in terms of section 197(2) of the LRA, the Purchaser will take over the employment of all the Employees of the Business, upon transfer of the Business on the Effective Date, on the same terms and conditions, or on terms and conditions that are on the whole not less favourable to the Employees.

Vergelegen and the Purchaser have provided cross indemnities to each other, regarding any claims or liabilities that may arise from transferring the Employment Contracts, upon the Effective date as may be relevant.

5.5.3 Operating License

With effect from the Effective Date the Seller will cede and assign to the Purchaser, and the Purchaser will accept, all the Seller's rights and obligations under the Operating License and every other license related to the Business and being capable of being transferred or assigned to the Purchaser.

The costs associated with such transfer shall be borne by the Purchaser up to a maximum amount of R50 000 and any additional costs shall be shared equally between the Seller and the Purchaser.

Where any license cannot be assigned or transferred to the Purchaser, the Seller shall notify the Purchaser prior to the Effective Date and the purchaser shall be responsible to procure such a license and the Seller shall provide any assistance that may be reasonably required in this regard.

The Purchaser shall make application for a BHF Number (the practice number issued by The Board of Healthcare Funders, allocated to all registered healthcare providers, providing services to private patients) to the Board of Healthcare Funders. If the Purchaser's application is not completed by the Effective Date, the Purchaser and the Seller shall co-operate with each other to enable the Purchaser to continue to operate under the Seller's BHF Number, to achieve continuation of the Business as far as it is lawfully possible to do so.

The Seller shall further assist the Purchaser to become a designated service provider to the appropriate medical aids.

5.5.4 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 VERGELEGEN

The net assets of Vergelegen, as per the audited annual financial statements for Advanced Health for the 12 months ended 30 June 2020, were R3 658 703. The profit after tax attributable to the net assets of Vergelegen, for the same period were R17 202 683.

The audited 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

28 January 2021

Designated Advisor

Grindrod Bank Limited

