ADVANCED HEALTH LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2013/059246/06)
("the Group" or "Advanced")
ISIN Code: ZAE000189049 JSE Code: AVL

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

GROUP OVERVIEW

NATURE OF THE BUSINESS

Advanced is an important role player in day surgery across South Africa and Australia. Private healthcare is currently in an exciting stage of development. Advanced is positioning itself within the existing healthcare system, filling a gap in the market for day surgery.

Despite the prevalence of the Delta and the Omicron Covid variants, the Australian day hospital industry remains strong and viable. It has assisted patients to have the vital surgery they need and have helped the public system with the pandemic response. The day hospital industry is well placed to support clearing the surgical backlog post-pandemic and remains a competitive option for private patients compared to overnight hospitals. Presmed Australia ("PMA") has positioned itself well in this industry.

In South Africa, the demand for day hospitals continues to grow. Medical Schemes have embarked on channelling same day procedures to day hospitals and members who attend to a day surgical procedure in the traditional hospital, are paying additional co-payments. There has been a downgrade of members into lower options due to the unaffordability of private healthcare and Advanced is aligned to accept majority of the low-cost medical options.

During the Covid-19 waves, the utilisation of day hospitals increased in certain areas as it provided a safe covid-free environment for much needed surgeries. Technology is on the side of the day hospital industry making it more affordable to operate in a day hospital. A day hospital is small and does not have the same overheads as the traditional hospitals, making it an attractive option to funders. Abroad there is a higher proportion of day hospitals compared to acute hospitals and it will take time for South Africa to be in the same position as this is linked to regulatory requirements. In South Africa Advanced is embarking on bringing down consumable spending and increasing theatre capacity by partnering with like-minded doctors who support the model of cost excellence and affordability in healthcare.

FINANCIAL PERFOMANCE

OVERVIEW

The Group made a profit of R7.6 million (2020: R1.0 million) before tax and R0.8 million (2020: loss R9.8 million) after tax. Australian operations reported a profit of R22.7 million in December 2021. The losses reported by the South African operations decreased by R14.2 million, from a loss of R32.7 million reported in December 2020 to R18.5 million reported in December 2021. The improvement in losses within the South African operations was driven by different factors including the closure of the Soweto operations that were making losses, the sale of Vergelegen Hospital which was also making losses and the reassessment of the lease terms in the prior year which resulted in a decrease in the IFRS 16 liability and right of use asset recognised which has resulted in a significant decrease in the interest and depreciation charges.

Australia
The Australian operations remain profitable, a profit after tax of R22.7million (2020: R28.4million) was reported for the six months ended 31 December 2021. The profits decreased by R5.7 million when compared to the prior period. The factors influencing a decline in profits of PMA included a decline in the number of theatre cases that were performed when compared to the prior year. This is because the backlog of patients that could not be operated in the period ending 30 June 2020 as per government COVID-19 restrictions was included in the six months ended 31 December 2020 causing a non-recurring increase in revenue for that period. This surge in theatre cases did not occur for the six months ended 31 December 2021.

PMA increased their investment in Metwest by 19% in November 2021 resulting in a total shareholding of 57%. For interim reporting Metwest has been consolidated as a subsidiary of PMA.

In July 2021 PMA acquired a 20% shareholding in Devonport Eye Hospital Pty Ltd and Clearvis Pty Ltd (Devonport) for a consideration of R28.6 million, this investment has been recognised as a financial asset in the statement of financial position as at 31 December 2021.

PMA continues to be recognised as a key player within the industry, maintaining its position as the premium standard setter within the day hospital market, through the successful introduction of an In-House Ophthalmic Nurse Program, the Ophthalmologist Registrar Training Program, affiliation with the University of Sydney as a Teaching Hospital group and the retention of Chatswood Private Hospital as the only Australian private hospital member of the World Association of Eye Hospitals.

South Africa
Management continues its focus on marketing strategies aimed at growing patient numbers and increasing earnings. South African operations reported improved losses of R18.5million (2020: R32.7 million) for the six months ended 31 December 2021. These losses were significantly lower than the losses that were reported for the comparative prior period.

In the prior period the directors of the Group decided to discontinue the operations of Soweto Day Hospital Proprietary Limited which was making losses with limited potential of turning into a profitable venture in the future. The assets and liabilities attributable to this hospital are classified as a disposal group as at 31 December 2021 and presented separately in the statement of financial position, disposal in a form of liquidation is expected to occur within 12 months.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Note	Unaudited Six months 31 Dec 2021	Unaudited Six months 31 Dec 2020	Audited Year ended 30 June 2021
ASSETS				
Non-current assets		**814 900**	**746 625**	**711 829**
Property, plant and equipment	4	628 316	599 752	566 676
Investment in Associate	5	208	-	35 248
Goodwill	6	73 619	27 508	20 983
Intangible assets		16 021	17 670	16 817
Other financial assets	7	47 616	55 262	26 756
Deferred taxation	9	49 120	46 433	45 349
Current assets		**157 774**	**120 260**	**195 565**
Inventories		21 106	15 298	19 105
Trade and other receivables	7	34 755	34 053	69 219
Current tax receivable		14	258	23
Cash and cash equivalents	8	101 899	70 651	107 218
Assets of disposal groups		18 762	196 636	18 874
Total assets		**991 436**	**1 063 521**	**926 268**
EQUITY AND LIABILITIES				
Capital and reserves				
Stated capital	2	271 377	221 956	271 377
Accumulated loss		(269 652)	(245 486)	(255 270)
Foreign currency translation reserve		46 491	45 533	37 090
Share-based payment reserve		1 283	1 283	1 283
Non-controlling interest		**141 705**	**113 376**	**125 262**
Total equity		**191 204**	**136 662**	**179 742**
Non-current liabilities		**612 634**	**594 346**	**562 088**
Borrowings		141 185	160 625	147 575
Lease liabilities	9	470 269	433 123	413 413
Provisions		1 180	1 002	1 100
Current liabilities		**165 509**	**135 868**	**163 051**
Borrowings		47 052	25 016	45 005
Lease liabilities	9	21 710	27 542	18 451
Trade and other payables		51 301	54 221	59 218
Provisions		13 138	12 958	12 794
Current tax payable		25 150	7 680	16 167
Bank overdraft		7 158	8 451	11 417
Liability of disposal groups		22 089	196 645	21 387
Total liabilities		**800 232**	**926 859**	**746 527**
Total equity and liabilities		**991 436**	**1 063 521**	**926 268**

		Unaudited Six months 31 Dec 2021	Unaudited Six months 31 Dec 2020	Audited Year ended 30 June 2021
Notes to statement of financial position				
Total number of shares in issue ('000)		498 785	287 988	498 785
Net asset value per share (cents)		38.33	47.45	36.04
Net tangible asset value per share (cents)		20.36	31.77	28.46

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Note	Unaudited Six months 31 Dec 2021	Unaudited Six months 31 Dec 2020	Audited Year ended 30 June 2021
Revenue	11	321 144	340 083	680 675
Cost of sales		(167 986)	(173 739)	(348 408)
Gross profit		**153 158**	**166 343**	**332 267**
EBITDA*	12	63 430	71 905	162 616
Share of profit from associate		2 897	229	5 114
Investment income		501	111	886
Depreciation and amortisation		(32 583)	(35 670)	(66 833)
Movement in credit loss allowance		224	-	(446)
Net finance costs		(26 883)	(35 536)	(67 543)
Profit/ (loss) before taxation from continuing operations		**7 586**	**1 040**	**24 351**
Taxation		(6 753)	(6 682)	(23 775)
Profit / (loss) for the period from continuing operations	13	**833**	**(5 642)**	**576**
Loss from discontinued operations		-	(4 169)	-
Profit/ (loss) for the year		**833**	**(9 812)**	**576**
Other comprehensive income / expense				
Items that may be reclassified to profit or loss:				
Foreign currency translation differences		14 138	(11 227)	(21 950)
Total comprehensive profit / loss for the period		**14 971**	**(21 039)**	**(21 374)**
Profit / loss attributable to:		**833**	**(9 812)**	**576**
Owners of the parent – continuing operations		(14 027)	(6 210)	(17 754)
Owner of the parent – discontinued operations			(2 126)	-
Non-controlling interest		14 860	(1 476)	18 330

* *Earnings before interest, impairment tax, depreciation and amortisation.*

Total comprehensive loss attributable to:		**14 971**	**(21 039)**	**(21 374)**
Owners of the parent – continuing operations		(4 626)	(13 318)	(33 304)
Owners of the parent – discontinued operations			(2 126)	-
Non-controlling interest		19 597	(5 595)	11 930

Per share information:	Unaudited Six months 31 Dec 2021	Unaudited Six months 31 Dec 2020	Audited Year ended 30 June 2021
Loss per share and diluted loss per share (cents)	**(2.81)**	**(2.90)**	**(5.21)**
• From continuing operations	(2.81)	(2.16)	(5.21)
• From discontinued operations	-	(0.74)	-

All figures in R'000	Unaudited Six months 31 Dec 2021	Unaudited Six months 31 Dec 2020	Audited Year ended 30 June 2021
Notes to the statement of comprehensive income			
Headline loss for the period attributable to ordinary shareholders from continuing operations:			
Headline loss per share (cents)	(2.81)	(2.16)	(3.89)
Diluted headline loss per share (cents)	(2.81)	(2.16)	(3.89)
- Total number of shares in issue ('000)	498 785	287 988	498 785
- Weighted average number of shares ('000)	498 785	287 988	340 543
Reconciliation of headline earnings calculation:			
Loss for the period attributable to ordinary shareholders	(14 027)	(8 336)	(17 754)
Less: IAS 36 impairment	-	-	9 889
Derecognition of lease liability on sale of Vergelegen facility	-	-	(5 813)
Less: IAS 16 loss on the disposal of plant and equipment	-	-	713
Add: IAS 16 loss on the disposal of plant and equipment - Vergelegen	-	-	(2 375)
Add: Loss on disposal of subsidiary	-	2 953	-
Tax effects of adjustments	-	(827)	2 093
Headline loss for the period attributable to ordinary shareholders	**(14 027)**	**(6 210)**	**(13 247)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Note	Unaudited Six months 31 Dec 2021	Audited Year ended 30 June 2021	Restated Unaudited Six months 31 Dec 2020
Cash flows from operating activities				
Cash generated from operations		80 806	111 752	73 147
Investment income		501	886	111
Taxation paid		(2 162)	(7 834)	(1 123)
Net cash inflow/ (outflow) from operating activities		**79 145**	**104 804**	**72 135**
Cash flows from investing activities				
Acquisition of property, plant and equipment	4	(10 746)	(12 332)	(2 508)
Proceeds on the sale of property, plant and equipment		-	85	-
Acquisition of Devonport	7	(13 432)	-	-
Sale of Vergelegen		-	16 475	-
Acquisition of Metwest	5&6	(20 870)	(15 725)	(15 830)
Net movement in financial assets		4 912	(5 122)	-
Net cash outflow from investing activities		**(40 136)**	**(16 619)**	**(18 337)**
Cash flows from financing activities				
Issue of shares			49 421	-
Proceeds from borrowings		-	20 000	5 127
Repayment of borrowings		(8 029)	(29 519)	(12 169)
Dividends paid - NCI		(11 065)	(10 654)	(2 931)
Finance costs on lease liabilities		(18 872)	(49 214)	(23 466)
Repayment of lease liabilities		(8 895)	(16 013)	(12 323)
Net cash (outflow)/ inflow from financing activities		**(46 861)**	**(43 516)**	**(45 762)**
Net increase/ (decrease) in cash and cash equivalents		(7 852)	44 669	8 035
Cash and cash equivalents at beginning of year		95 801	56 651	56 651
Cash and Cash equivalents of disposal group		3	1 686	524
Effect of foreign currency translation		6 788	(7 205)	(4 446)
Cash and cash equivalents at end of year		**94 740**	**95 801**	**62 200**

Finance costs have been reclassified from operating activities to financing activities to correctly reflect the nature thereof.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Net stated capital	Share based payment reserve	Foreign currency translation	Accumulated loss	Non-controlling interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000
Audited Balance as at 30 June 2020	**221 956**	**1 283**	**52 640**	**(237 150)**	**115 629**	**154 358**
Loss for the period				(8 336)	(1 476)	(9 812)
Other comprehensive loss for the period	-	-	(7 107)	-	(4 119)	(11 226)
Dividends *	-	-	-	-	(2 931)	(2 931)
Change in ownership interest**	-	-	-	-	6 273	6 273
Unaudited Balance at 31 December 2020	**221 956**	**1 283**	**45 533**	**(245 486)**	**113 376**	**136 662**
Loss for the period	-	-	-	(9 418)	19 806	10 388
Other comprehensive loss	-	-	(8 443)	-	(2 281)	(10 724)
Change of ownership**	-	-	-	(366)	2 083	1 717
Issue of shares	49 421	-	-	-	-	49 421
Dividends *	-	-	-	-	(7 723)	(7 723)
Audited Balance as at 30 June 2021	**271 377**	**1 283**	**37 090**	**(255 270)**	**125 261**	**179 742**
Loss for the for six months	-	-	-	(14 027)	14 860	833
Other comprehensive income	-	-	9 401	-	4 737	14 138
Dividends *	-	-	-	-	(11 065)	(11 065)
Change in ownership interest**	-	-	-	(355)	7 912	7 557
Unaudited Balance as at 31 December 2021	**271 377**	**1 283**	**46 491**	**(269 652)**	**141 705**	**191 205**
Notes	2					

** Dividends were declared by the Subsidiaries of the Group amounting to R11.1 million (2020: R2.9 million).*

*** Changes in subsidiary ownership interest – Metwest acquisition refer to note 5 & 6.*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated results for the six months ended 31 December 2021 have been prepared in accordance with the requirements of the JSE Listing Requirements for interim reports, the requirements of Companies Act applicable to summary financial statements and the requirements of IAS 34: Interim Financial Reporting as well as the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the preparation of the unaudited condensed consolidated results for the period are in terms of IFRS and are materially consistent with the accounting policies applied in the preparation of the audited annual financial statements as at 30 June 2021.

The unaudited condensed consolidated interim financial statements are presented in South African Rand, which is the Group's functional and presentation currency.

During the period under review PMA increased its investment in Metwest by 19% resulting in a total shareholding of 57%. Metwest is accounted for as a subsidiary of PMA in the results of the six months ended 31 December 2021. PMA also acquired a 20% shareholding in Devonport, this investment has been classified as a financial asset in the Group Statement of Financial Position for the six months ended the 31 December 2021 as PMA does not have a significant influence over the financial and operating policies of Devonport.

The unaudited condensed consolidated results for the six months ended 31 December 2021 have been prepared under the supervision of Mrs S. Chonco CA(SA) in her capacity as Chief Financial Officer.

The results were approved by the board of directors on and have not been reviewed or audited by the Group's external auditors Mazars.

2. STATED CAPITAL

The issued stated capital of Advanced is 498 784 580 shares amounting to R271 million (December 2020: 287 988 433 amounting to R222 million) being the legal entity listed on the JSE AltX.

Reconciliation of stated capital

	Shares ’000	**Stated capital R’000**	**Equity reserve* R’000**	**Group stated capital R’000**
Balance as at 31 December 2020	287 988	310 423	(88 467)	221 956
Issue of shares	210 796	49 421	-	49 421
Balance as at 1 July 2021	498 784	359 844	(88 467)	271 377
Balance as at 31 December 2021	**498 784**	**359 844**	**(88 467)**	**271 377**

** The equity reserve arose in 2014 as a result of accounting for the reverse acquisition in terms of IFRS 3 Business Combination.*

3. SEGMENTAL REPORTING

Segment information is presented only at Group level, where it is most meaningful. The segments are based on the geographical location.

	Unaudited Six months Dec-21	Unaudited Six months Dec-20	Audited Year ended June-21
	R'000	R'000	R'000
REVENUE	**321 144**	**340 083**	**680 675**
South Africa	103 930	110 225	229 525
Australia	217 214	229 858	451 150
INTEREST INCOME	**501**	**111**	**886**
South Africa	165	22	192
Australia	336	89	694
INTEREST EXPENSE	**26 883**	**35 536**	**67 544**
South Africa	15 921	26 881	45 317
Australia	7 163	6 206	14 575
Corporate	3 799	2 449	7 652
LOSS FOR THE PERIOD (CONTINUING OPERATION)	**833**	**(9 812)**	**576**
South Africa (continuing operations)	(18 458)	(32 666)	(47 680)
Australia	22 719	28 434	62 514
Corporate	(3 428)	(5 580)	(14 258)
SEGMENT ASSETS	**991 436**	**1 063 521**	**926 268**
South Africa	336 436	518 519	361 896
Australia	647 142	539 659	557 804
Corporate	7 858	5 343	6 568
SEGMENT LIABILITIES	**800 230**	**926 859**	**746 526**
South Africa	287 592	486 379	307 000
Australia	412 455	333 051	337 356
Corporate	100 183	107 429	102 170

The revenue from external parties and all other items of income, expenses, profits and losses reported in the segment report are measured in a manner consistent with that in the statement of comprehensive income.

4. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2021 the Group invested in capital expenditure amounting to R10.7 million, this investment was mainly in PMA. Included in the PPE movement is a right of asset use of R53.0 million that is part of the Metwest acquisition which is now consolidated as a subsidiary of PMA. The rest of the movement in the PPE was mainly as a result of depreciation and changes in the exchange rate, where a higher rate was applied as at 31 December 2021 when compared to 30 June 2021.

5. INVESTMENT IN ASSOCIATE

PMA increased their investment in Metwest by 19% in November 2021 resulting in a total shareholding of 57%. For the year ended 30 June 2021 PMA only held 38% shareholding in Metwest and the investment was therefore accounted for as an associate. For interim reporting Metwest has been consolidated as a subsidiary of PMA and therefore the investment in associate per IAS 28 was derecognised. There was no gain or loss on the derecognition of an investment in associate as the derecognised value was deemed to be the fair value of an investment in associate.

6. GOODWILL

PMA increased their investment in Metwest by 19% in November 2021 resulting in a total shareholding of 57%. For this interim reporting Metwest has been consolidated as a subsidiary of PMA for the first time, Goodwill to the value of R48.6 million arose from acquisition. The price allocation for the Metwest acquisition was not finalised as at the time of reporting. Goodwill value might therefore be adjusted once the price allocation is finalised.

7. OTHER FINANCIAL ASSETS

PMA acquired a 20% shareholding in Devonport for a consideration of R28.6 million, this investment has been recognised as a financial asset in the Statement of Financial Position for the six months ended the 31 December 2021. A deposit of R15.2million was already paid to Devonport as at 30 June 2021 and was classified as deposits under trade and other receivables, the rest of the purchase consideration was paid for during the period under review.

8. CASH AND CASH EQUIVALENTS

There has been a decrease in cash and cash equivalent compared to the year ended 30 June 2021. The Group has engaged more in investing activities. About R40.1 million was invested in the expansion of the business, mainly within the Australian operations.

9. LEASE LIABILITY

Included in the lease liability movement is a liability of R48.9 million that is part of the Metwest acquisition which is now consolidated as a subsidiary of PMA.

10. RELATED PARTIES

During the six months ended 31 December 2021, certain subsidiaries, in the ordinary course of business, entered into loans and transactions with related parties under terms that are no less favourable than those arranged with third parties.

11. REVENUE

The total Group revenue decreased by 6% from R340.1 million to R321.1 million in the period under review, both Australia and South African revenue was lower than comparative period. In Australia the decrease in revenue was driven by a decline in cases. This was because the backlog of patients that could not be operated during the year ended 30 June 2020 as per government COVID-19 restrictions was included in the six months ended 31 December 2020, this caused a non-recurring increase in revenue for the six months ended 31 December 2021. The same effect was not in place for the six months ended the 31 December 2021.

12. EBITDA

The positive EBITDA of R63.4 million for the six months ended 31 December 2021 decreased by 11% compared to prior comparative period. The decline in EBITDA when compared to prior comparative period and the last published results for the year ended 30 June 2021, is due to a decline in revenue mainly from the Australian operations as PMA's profits that were reported in the prior comparative period were inflated by a backlog in theatre cases as a result of a hard lock down that happened in 2020.

13. PROFIT AFTER TAXATION

The Group reported a profit amounting to R0.8 million from continuing operations (2020: loss of R9.8 million) for the six months under review. The improved performance is mainly influenced by a reduction of losses within the South African operations, which was driven by the following factors:

- Closure of the Soweto Day Hospital operation which contributed a loss of about R4.2 million after tax on prior year reported losses.
- The sale of Vergelegen which contributed losses of about R4.1 million towards prior year reported losses.
- The reduction of the IFRS 16 interest and depreciation expense.

EXCHANGE RATES

The following exchange rates were used in foreign interest and foreign transactions during the periods:

Rand/Australian Dollar	31 Dec 2021	31 Dec 2020	30 Jun 2021
Closing rate	11.56180	11.2169	10.7778
Average rate	10.99582	11.7517	11.4873

DIVIDEND DECLARATION

No dividend is proposed or recommended for the six-months ended 31 December 2021

PROSPECTS

Advanced is firmly on track to achieve its aim of growing its footprint of independent, quality, and cost-effective day-hospitals, to the benefit of patients, doctors and medical schemes.

The Australian operation's core strategy is to grow and increase its portfolio in the Day Hospital industry in Australia through investing in and/or acquiring profitable day hospitals.

In South Africa the Group will focus on achieving stability in all facilities. In South Africa and Australia our patient numbers were lower than anticipated because of Covid -19. This situation is expected to improve in the second half of 2022 financial year.

CHANGES OF DIRECTORS

During the period under review the following changes happened:
Dr J Oelofse's term ended – 12/11/2021
D Goss-Ross Appointed – 01/12/2021

POST BALANCE SHEET EVENTS

As part of the strategy to grow and expand the Australia business, PMA has successfully raised further capital of AU$7.0 million from its existing shareholders, Advanced exercised its right by investing a total amount of AU$4,536,340.

On behalf of the board

CA Grillenberger	**GJ van Emmenis**	**S Chonco CA(SA)**
Chairman	**Chief Executive Officer**	**Chief Financial Officer**
24 February 2022		

CORPORATE INFORMATION

Advanced Health Limited
(Incorporated in the Republic of South Africa)
Registration number: 2013/059246/06
ISIN: ZAE000189049 JSE Code: AVL

Registered Address:
Building 2, Walker Creek Office Park
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Postnet Suite 668, Private Bag X1
The Willows, 0041

Executive directors	**Non-Executive Directors**
GJ van Emmenis (Chief Executive Officer)	FA van Hoogstraten (Lead Independent)
MC Resnik# (Managing Director - Australia)	CA Grillenberger (Chairman)
D Goss-Ross (Managing Director - South Africa)	PJ Jaffe #
S Chonco (Chief Financial Officer)	CJPG van Zyl
	Dr WT Mthembu
	YJ Visser
	Dr KE Legodi

Australian

Company Secretary: M Janse van Rensburg
Auditors: Mazars
Transfer Secretaries: Link Market Services Proprietary Limited

Date of announcement: 25 February 2022
Designated Advisor
Grindrod Bank Limited