



## **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

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### **REVIEWED CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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#### **GROUP OVERVIEW**

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 this environment, filling a gap in the market for day surgery.

In Australia, the day hospital industry remains a strong and viable business sector in the healthcare system, with over 40% of the Australian population having private healthcare cover. Day hospitals remain the competitive option for private patients compared to overnight hospitals, with Presmed Australia ("PMA") positioning itself well in this industry.

During the year PMA increased its shareholding in Metwest Surgical (Hereward) and Eye Centre (Kingham) (Collectively called Metwest) by 19% increasing the total shareholding to 57%. Metwest operates a day surgery and an ophthalmology practice in Western Sydney. As of the date of acquiring a 57% holding in the Metwest group of companies, PMA obtained control and derecognised the equity accounted investment.

During the year PMA acquired a 40% shareholding in Devonport group of companies (DEH) which operates a day surgery in Devonport, Tasmania.

In South Africa, medical schemes are aligning themselves to the day hospital model and we are seeing traction in them directing surgical procedures towards day hospitals as an alternative, more cost-effective option.

#### **IMPACT OF COVID-19**

##### **South Africa**

In the 2022 financial year the effects of the COVID-19 pandemic were substantially less than what was experienced in the prior two financial years. All of the restrictive measures and lockdown regulations were lifted. The result thereof was a partial reverse of a positive impact caused by COVID-19 that was experienced in the 2021 financial year. In South Africa challenges such as load shedding had a twofold impact – additional cost and less efficiency.

##### **Australia**

During the 2022 financial period, the Australian healthcare sector was also impacted by the Delta and Omicron variants. The COVID-19 Delta strain hit Australia in the beginning of July 2021. There were several implications on the business with nation-wide lockdowns, patient hesitation and surgery cancellations occurred as well as Government imposed directive capping surgery throughput based on the low 8-week average prior to the lockdown up to 25 October 2021.

After the Omicron variant was picked up in South Africa on 24 November 2021, this quickly spread around the world. On 30 November 2021, the Australian National Cabinet met and released statements to try and combat this. The Australian Health Protection Principal Committee followed international developments closely and advised the Government on how to respond to the Omicron variant. Restrictions were put in place, which caused further patient hesitation and surgery cancellations. In addition, many staff and patients have contracted this strain, delaying surgery.

PMA Management recognised that these effects were largely temporary and a matter of timing, with the backlog starting to flow back into surgery through the day hospitals for the remaining part of the 2022 financial year.

## **FINANCIAL PERFORMANCE**

### **OVERVIEW**

The Group reported a profit of R31.6million (2021: R24.4million) before tax and R13.4million (2021: R0.6million) after tax. The results were driven by a good performance of the Australian segment which contributed R62.6million (2021: R62.5million) in profit after tax. South African operations continue to be in a loss situation, however the losses before tax have been reduced to R41.1million when compared to the prior period losses of R44.3million.

### **Australia**

The Australian operations remain profitable, a profit after tax of R62.6million (2021: R62.5million) was reported for the year ended 30 June 2022. Included in the current year's profits was R17.7million gain on fair value on derecognition of Metwest as an associate. EBIDTA of R108.0million (2021: R133.6million) is R25.6million lower than the prior year. Factors influencing the 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 prior year results, causing a non-recurring increase in revenue for that period. This surge in theatre cases did not occur for the year ended the 30 June 2022.

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. Results from South African operations improved year on year with a loss after tax of R41.0million when compared to a loss after tax of R47.7million in the previous year. A profit before tax, interest, depreciation, amortization and impairment of R27.4million (R37.3million) was reported

for the South African operations in the current year. The decrease in EBITDA was as a result of a decrease in revenue when compared to the prior year.

Cash flow challenges continue to exist within the South African operations as a result of the ongoing losses within this business segment.

Soweto Day Hospital Proprietary Limited is classified and disclosed as a disposal group as was the case in the prior year. The company's creditors lodged a request for the company to be liquidated which was initially opposed by the landlord. The landlord subsequently withdrew its opposition to the liquidation and on 11 August 2022 a court order was issued whereby the company was formally placed in liquidation.

## **FINANCIAL RESULTS HIGHLIGHTS**

- Revenue decreased to R664.8million (2021: R680.7million).
- EBITDA decreased to R134.3million (2021: R162.6million).
- Profit after tax for the year is reported at R13.4million (2021: R0.6million).
- Basic loss per share was reported at 4.04 cents (2021: 8.14 cents).
- Headline loss per share was reported at 5.89 cents (2021: 6.82 cents).

## **Going concern**

Advanced Health draws attention to the fact that as at 30 June 2022, the Group had accumulated losses of R294.8 million (2021: R265.3million) after a profit of R13.4million (2021: R0.6million). The Group's current ratio is 1.27:1 (2021: 1.20:1). The South African operations within the Group however continued to incur significant losses R41.0million (2021: R47.7million) and had negative cashflows from operations taking into account lease payments. The current liabilities of the South Africa Operations exceed current assets by (R40.9million) (2021: R3.55million). These events and conditions indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The reviewed condensed consolidated 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 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 is dependent on the directors continuing to procure funding for the South African operations, either through a sale of strategic investments or by procuring funding through other options. As stated in note 23 inbound approaches were received from parties interested in a potential acquisition of shares that the group holds in PresMed Australia. A sub-committee has been appointed to evaluate these approaches.

Management has put into place different plans to turn the South African operations around. This includes:

- A strategic partnership with the medical specialists through the sale of shares in the South Africa operating hospitals.
- Proactively engaging funders during the tariff negotiations to ensure reasonable tariff increases are achieved. Advanced Health forms part of the DHASA (Day Hospital of South Africa) and the DHASA has been permitted to negotiate tariffs as a group with the medical

schemes for 2023. Advanced Health will utilize this unity to strengthen its already established relationship in the funder market and to channel more volumes to the day hospital group.

- Focus on marketing strategies which include engagement with doctors, recruiting new specialists, focus on service delivery differentiation which includes excellent nursing care.
- A key focus in competitive pricing in both the private market as well as the low income medical schemes. The fee structure within Advanced Health is attractive to both the funders and private patients.

### **Events after the reporting date**

The liquidation of Advanced Soweto Day Hospital was granted by the court on 11 August 2022, a liquidator has been appointed.

AVL received unsolicited approaches from several parties interested in a potential acquisition of its shares within PMA. On 15 June 2022 the board of directors appointed an internal sub-committee to conduct a strategic review of the Advanced Health group to assess options available to maximise shareholder value in Advanced Health. An Australian advisory firm, Monash Advisory was appointed to advise and assist on the potential transaction. The recommendations of the sub-committee will be evaluated by the board.

### **Dividend declaration**

No dividend is proposed or recommended for the financial year ended 30 June 2022 (2021: Rnil).

### **Changes to directors**

During the period under review the following changes happened:

Dr J Oelofse's term ended – 12/11/2021.

D Goss-Ross was appointed as a director, previously was an alternate director – 01/12/2021.

### **Short-form announcement**

The contents of the short-form announcement are the responsibility of the Board of Directors of Advanced Health Limited. The information in the short-form announcement is a summary of the full announcement and accordingly does not contain full or complete details. The full announcement is available for inspection at no charge, Monday to Friday, during office hours at the company's registered office, the office of the Designated Advisor and on the Company's website on <http://www.advancedhealth.co.za/> from 8 August September 2022. The full announcement is available on SENS on 8 September 2022 at <https://senspdf.jse.co.za/documents/2022/jse/isse/AVL/YE2022AVL.pdf>. The information in this announcement has been extracted from the reviewed condensed consolidated financial results, but the short-form announcement itself has not been reviewed by the Company's auditors. Any investment decisions by shareholders/investors should be based on the full announcement released to the JSE and published on the Company's website.

The reviewed condensed consolidated financial statements have been reviewed by the Group's Auditors, Mazars who have issued an unmodified review opinion with an emphasis of matter included for material uncertainty of Going Concern (refer above). The review opinion is available for inspection at the Company's registered office and on the Company's website <http://www.advancedhealth.co.za/>

## **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  
90 Florence Ribeiro Avenue  
Muckleneuk  
0002  
Postnet Suite 668, Private Bag X1  
The Willows, 0041

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### **Executive directors**

GJ van Emmenis (Chief Executive Officer)  
MC Resnik# (Managing Director Australia)  
D Goss-Ross (Managing Director South Africa)  
S Chonco (Chief Financial Officer)

### **Non-Executive Directors**

CA Grillenberger (Chairman)  
FA van Hoogstraten (Lead Independent)  
PJ Jaffe #  
CJPG van Zyl  
Dr WT Mthembu  
YJ Visser  
Dr KE Legodi

# Australian

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**Company Secretary:** M Janse van Rensburg

**Auditors:** Mazars

**Transfer Secretaries:** JSE Investor Services

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**Date of announcement: 8 September 2022**

**Designated Advisor**  
Grindrod Bank Limited

