



ADVANCED HEALTH LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2013/059246/06)

("the Company" or "Advanced Health" or the "Group")

ISIN Code: ZAE000189049 JSE Code: AVL

**REVIEWED PROVISIONAL CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2017**

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Reviewed Year ended 30 June 2017	Audited Year ended 30 June 2016
ASSETS		
Non-current assets	349 700	329 078
Property, plant and equipment	251 184	251 317
Goodwill	26 597	28 561
Other financial assets	5 894	7 789
Intangible assets	28 458	28 333
Operating lease asset	1 240	-
Deferred taxation	36 327	13 078
Current assets	88 640	109 869
Inventories	10 038	9 093
Trade and other receivables	26 576	36 970
Other financial assets	5 777	6 477
Operating lease asset	5 412	2 381
Current tax receivable	354	2 104
Cash and cash equivalents	40 483	52 844
Total assets	438 340	438 947
EQUITY AND LIABILITIES		
Capital and reserves	141 875	199 191
Stated capital	137 378	137 378
Share-based payment reserve	4 016	4 465
Foreign currency translation reserve	28 898	40 380
Retained earnings	(28 417)	16 968
Non-controlling interest	43 507	44 300
Total equity	185 382	243 491

Non-current liabilities	184 738	112 660
Other financial liabilities	142 630	71 169
Finance lease obligations	25 408	31 701
Operating lease liability	16 320	6 947
Provisions	-	2 013
Deferred taxation	380	830
Current liabilities	68 220	82 796
Other financial liabilities	13 630	9 240
Finance lease obligations	8 820	7 823
Trade and other payables	36 658	51 303
Provisions	3 645	3 688
Operating lease liabilities	3 141	1 175
Current tax payable	2 326	9 567
Total equity and liabilities	438 340	438 947

Notes to statement of financial position

Total number of shares in issue ('000)	221 615	221 615
Net asset value per share (cents)	83.65	109.87
Net tangible asset value per share (cents)	58.81	84.20

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Reviewed Year ended 30 June 2017	Audited Year ended 30 June 2016
Revenue	309 109	241 192
Cost of sales	(154 857)	(118 430)
Gross profit	154 252	122 762
EBITDA (earnings before interest, impairment, tax, depreciation and amortisation)	(22 866)	(4 428)
Investment income	725	2 881
Depreciation and amortisation	(28 779)	(16 152)
Net finance costs	(15 097)	(4 531)
Loss before taxation	(66 017)	(22 230)
Taxation	17 834	6 501
Loss for the year	(48 183)	(15 729)
Other comprehensive (expense)/income for the year, net of tax	(11 761)	14 506
Total comprehensive loss for the year	(59 944)	(1 223)
(Loss) / income attributable to:	(48 183)	(15 729)
Owners of the parent	(48 176)	(18 311)
Non-controlling interest	(7)	2 582
Total comprehensive (loss) / income attributable to:	(59 944)	(1 223)
Owners of the parent	(59 658)	(5 164)
Non-controlling interest	(286)	3 941
Per share information:		
Loss per share (cents)	(21.74)	(8.26)
Diluted loss per share (cents)	(17.08)	(8.25)

Notes to the statement of comprehensive income**Headline loss for the year attributable to ordinary shareholders:**

Headline loss per share (cents)	(21.75)	(8.02)
Diluted headline loss per share (cents)	(17.09)	(8.00)
- Total number of shares in issue ('000)	221 615	221 615
- Weighted average number of shares ('000)	221 615	221 615
- Diluted weighted average number of shares ('000)	281 988	221 983

Reconciliation of headline earnings calculation:

Loss for the year attributable to ordinary shareholders	(48 176)	(18 311)
(Profit) / loss on sale property, plant and equipment	(36)	1 181
Tax effects of adjustments	10	(375)
Non-controlling interest effects of adjustments	-	(262)
Headline loss for the year attributable to ordinary shareholders	(48 202)	(17 767)

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

R'000	Reviewed Year ended 30 June 2017	Audited Year ended 30 June 2016
Cash generated (used in) from operating activities	(19 574)	12 630
Interest received	725	2 881
Finance cost	(15 097)	(4 531)
Tax refunded	(10 511)	(6 646)
Net cash flows from operating activities	(44 457)	4 334
Purchase from property, plant and equipment	(52 090)	(161 395)
Proceeds from property, plant and equipment	19 093	705
Purchase of intangible assets	(3 344)	(4 343)
Financial assets repaid (raised)	2 595	(10 212)
Proceeds on sale of non-current asset	-	39 502
Net cash flows used in investing activities	(33 746)	(135 743)
Financial liabilities raised	89 234	61 031
Financial liabilities repaid	(10 728)	(4 447)
Dividends paid – non-controlling interest	(3 374)	(1 567)
Finance lease payments	(7 381)	(9 686)
Issue of shares in subsidiary	2 867	17 076
Net cash flows from financing activities	70 618	62 407
Net decrease in cash and cash equivalents	(7 585)	(69 002)
Cash and cash equivalents at beginning of year	52 844	115 274
Effect of translation	(4 776)	6 572
Cash and cash equivalents at end of year	40 483	52 844

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital	Share- based payment reserve	Foreign currency translation reserve	Retained earnings	Non- controlling interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 1 July 2015	137 378	2 323	27 233	40 567	19 562	227 063
Loss for the year	-	-	-	(18 311)	2 582	(15 729)
Other comprehensive income for the year	-	-	13 147	-	1 359	14 506
Share-based payment expense	-	2 142	-	-	-	2 142
Change in interest in subsidiary	-	-	-	(5 288)	5 288	-
Issue of shares in subsidiary	-	-	-	-	17 076	17 076
Dividends declared	-	-	-	-	(1 567)	(1 567)
Balance at 1 July 2016	137 378	4 465	40 380	16 968	44 300	243 491
Loss for the year	-	-	-	(48 176)	(7)	(48 183)
Other comprehensive income for the year	-	-	(11 482)	-	(279)	(11 761)
Share-based payment expense	-	2 342	-	-	-	2 342
Change in interest in subsidiary	-	-	-	-	2 867	2 867
Transfer of revaluation	-	(2 791)	-	2 791	-	-
Dividends declared	-	-	-	-	(3 374)	(3 374)
Balance at 30 June 2017	137 378	4 016	28 898	(28 417)	43 507	185 382

NOTES TO THE REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

The reviewed provisional consolidated financial statements are prepared in accordance with the Listings Requirements of the JSE Limited for provisional reports, and the requirements of the Companies Act applicable to summary financial statements. The JSE Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The accounting policies and computations applied in the preparation of the summary consolidated financial statements from which the summary financial statements were derived are in terms of IFRS and are consistent with those accounting policies and computations applied in the preparation of the previous consolidated annual financial statements.

The reviewed provisional condensed consolidated financial statements have been prepared under the supervision of CP Snyman CA (SA) in his capacity as Chief Financial Officer.

The reviewed provisional condensed consolidated financial statements have been reviewed by the Group's auditors, Mazars who have issued an unmodified review opinion, available for inspection at the Company's registered office. The contents of this announcement are extracted from reviewed information, but is not itself reviewed.

The board of directors of Advanced Health takes full responsibility for the preparation of the reviewed provisional condensed consolidated financial statements for the year ended 30 June 2017. Statements contained in this announcement, regarding the prospects of the Group, have not been reviewed or audited by the Group's auditors.

The reviewed provisional condensed consolidated financial statements for the year were authorised for issue by the board of directors on 29 August 2017.

SEGMENTAL REPORTING

Geographical Information

The Group operates in two main regions, namely Australia and South Africa:

	Reviewed	Audited
	Year ended	Year ended
	30-June-17	30-June-16
	R'000	R'000
REVENUE	309 109	241 192
South Africa	90 186	39 579
Australia	218 178	200 740
Corporate	745	873
PROFIT/LOSS FOR THE YEAR	(48 183)	(15 729)
South Africa	(22 533)	(20 498)
Australia	21 354	5 736
Corporate	(47 004)	(967)

SEGMENT ASSETS	438 340	438 947
South Africa	217 903	214 497
Australia	178 721	222 815
Corporate	41 716	1 635
SEGMENT LIABILITIES	252 958	195 456
South Africa	171 955	100 816
Australia	45 289	94 056
Corporate	35 714	584

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.

COMMENTARY ON FINANCIAL INFORMATION

DEFERRED TAXATION

Deferred taxation increased due to the increased losses realised in South Africa. This will be utilised when the group starts generating profits. The increase in the trend of patient numbers and the support from the medical schemes indicate that the deferred tax asset will be recovered.

TRADE AND OTHER RECEIVABLES

Included in trade and other receivables for 2016 was VAT to the value of R14 million that was due from the South African Revenue Services. These refunds have been received during the year and the only outstanding VAT currently is about R3,7 million. It is expected that this amount will be recovered within the next quarter. The current and quick ratios of the Group improved indicating that the working capital cycle of the Group has improved.

OPERATING LEASE ASSETS AND LIABILITIES

The operating lease assets and liabilities relate to the lease straight lining required by IFRS. The additional new facilities also contributed to the increase in the lease assets and liabilities.

CASH AND CASH EQUIVALENTS

Cash utilised for operational costs totalled R44,4 million and R33,7 million for investments, due to more facilities becoming operational. This created a shortfall that was financed by R70,6 million in loans.

OTHER FINANCIAL LIABILITIES

Other financial liabilities increased due to the additional loans acquired to fund expansion of operations. This also contributed to an increase in finance cost.

FINANCE LEASE LIABILITIES

The variance is due to the short-term portion repaid during the year under review. The South African operations entered into a new finance lease during the period and was mitigated by the repayments done in Australia.

TRADE AND OTHER PAYABLES

With the facilities, already being operational, fewer new capital purchases were required and resulted in the decrease.

REVENUE

An increase in the number of facilities in South Africa as well as organic growth within existing facilities resulted in additional patients.

EBITDA

Included in EBITDA is rental paid of R45,9 million compared to R27,0 million for the year ending June 2016. These rentals have also been straight lined as required by IFRS. The increase is due to the additional facilities being operational compared to the previous period.

DEPRECIATION AND AMORTIASION

The increase in depreciation and amortisation is in line with the increase in facilities becoming operational during the year.

FINANCE COST

The increase in finance cost is due to additional funding for the expansion of facilities and the operational costs involved.

RELATED PARTIES

During the year, 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.

EXCHANGE RATES

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

Rand/Australian Dollar	30 June 2017	30 June 2016
Closing rate	9.92907	11.1343
Average rate	10.2634	10.5601

INVESTOR PRESENTATION

An investor presentation will be held on 30 August 2017 and the presentation will be made available on the Company's website hosted at www.advancedhealth.co.za. This was not reviewed by the auditors.

COMMENTARY

HIGHLIGHTS

- Revenue increased by 28% to R309,1 million.
- Patient numbers increased by 55%.

INTRODUCTION

Losses incurred as a result of eight Greenfields facilities which have become operational over the past two years, having a negative impact on the results for the year ending June 2017.

Although losses have been incurred, Advanced Health has made substantial progress in that:

- eight new facilities have been built and became operational over a short period of time;
- The development, other than two new facilities which will become operational during the first half of the 2018 calendar year, of further facilities in South Africa has been placed on hold until the existing facilities have become profitable; and
- R85 million raised via the company's Rights Offer will be used to repay debt and to fund the new facilities planned for 2018, as well as working capital.

The Advanced Health philosophy is in line with the changes which are taking place in the hospital industry, where the move to compact and custom-designed short-procedure facilities are being accelerated by technology, the latest being key-hole surgery, which complements modern anaesthesiological techniques in both South Africa and Australia.

FINANCIAL RESULTS

Key performance indicators aptly reflect the state of business in the two operating regions. There has been good growth in both turnover and patients. Presmed Australia (PMA) operations contributed some 71% of income (2016: 83%). The shift in contribution is as a result of more South African day-hospitals becoming operational and the increase in patient numbers.

OVERVIEW

In South Africa management is now focussed on marketing strategies aimed at growing our patient throughput. A number of medical schemes have voiced their support for the treatment of patients in day hospitals in view of the savings associated with these facilities.

The strong growth prompted a strengthening of staff at central level, to continue meeting objectives in line with the growth in facilities and to realise long-term succession targets.

For the financial year ending June 2017, the PMA day hospitals have performed ahead of expectations in all three facilities, inclusive of the new Chatswood Private Hospital which completed its first full year of operation. The total number of patient operations over the period for the facilities was over 10,500 procedures which was a 9% improvement over the previous year and annual revenue has broken the \$20m mark, being 12% up on last year. The PMA group has more than 100 Accredited Surgeons associated with its facilities, which shows increased growth, trust and recognition within the industry and stands the PMA group in good stead going forward.

The success of the Advanced Health business model is based on strong day hospital teams and partnerships with participating medical practitioners to ensure that medical and quality objectives are met. These teams are supported by an expert central team to ensure effective management, staffing and shared services such as information technology, marketing and administration.

DIVIDEND DECLARATION

No dividend is proposed or recommended.

PROSPECTS

Advanced Health 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.

In South Africa two new day hospitals will open during the first half of 2018. The Group's objective to open 20 day hospitals by 2020 has been put on hold until the existing facilities have become profitable.

The PMA group, with its key focus areas of driving up patient numbers through attracting further doctor support at all of our facilities, whilst maintaining the highest levels of patient excellence, and ensuring ongoing cost controls objectives are met and efficient cash collections remain in place and remain on target to pursue investment opportunities within the day hospital business and achieve six fully functioning day hospital facilities in Australia by 2020.

SUBSEQUENT EVENTS

When Advanced Health listed on the AltX of the JSE during 2014, the aim was to raise equity capital to capitalise on the window of opportunity to firmly establish itself as a leading day hospital group in South Africa. Since coming to market, the Group embarked on a rapid development strategy and over the last two years the Group successfully executed the development and commissioning of eight greenfields day hospital facilities bringing the total number of day hospitals in South Africa to ten facilities.

Advanced Health is now at a point in its journey of bedding down and ensuring the optimisation of these newly established facilities.

To this effect Advanced Health embarked to raise equity capital which will be used to settle certain existing debt obligations enabling the Group to enhance its capital structure in such a way as to provide a financial platform to drive future growth.

The Rights Offer was finalised in July 2017, with a total of 66 million shares that was offered and taken up by Shareholders and the underwriter.

In July 2017, PMA acquired 100% of a one theatre ophthalmic day hospital, 25km north-west of Central Sydney. This is the fourth day hospital in the PMA group. The acquired facility is accredited, licensed, has contracts with the major medical schemes and is well positioned close to all ophthalmologists in the greater area. The acquisition is not categorisable in terms of the JSE Listings Requirements.

On behalf of the board

FA van Hoogstraten
Chairman
30 August 2017

CA Grillenberger
Chief Executive Officer

CP Snyman
Chief Financial Officer

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

Executive directors

CA Grillenberger (Chief Executive Officer)
CP Snyman (Chief Financial Officer)
MC Resnik# (Chief Operational Officer Australia)

Non-Executive Directors

FA van Hoogstraten (Chairman)
PJ Jaffe#
WT Mthembu
CJPG van Zyl
J Oelofse
YJ Visser (alternate)

Australian

Company Secretary: M Janse van Rensburg
Auditors: Mazars
Transfer Secretaries: Trifecta Capital Services Proprietary Limited

Designated Advisor
Grindrod Bank Limited

