



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

**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>R'000</b>	<b>Unaudited Six months 31 Dec 2017</b>	<b>Unaudited Six months 31 Dec 2016</b>	<b>Audited Year ended 30 June 2017</b>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>378 842</b>	<b>337 254</b>	<b>349 700</b>
Property, plant and equipment	263 847	253 669	251 184
Goodwill	30 947	26 487	26 597
Other financial assets	7 943	6 391	5 894
Intangible assets	27 498	29 073	28 458
Operating lease asset	1 217	-	1 240
Deferred taxation	47 390	21 634	36 327
<b>Current assets</b>	<b>84 853</b>	<b>87 354</b>	<b>88 640</b>
Inventories	11 235	8 965	10 038
Trade and other receivables	20 010	20 429	26 576
Other financial assets	5 645	5 738	5 777
Operating lease asset	4 841	763	5 412
Current tax receivable	1 358	1 418	354
Cash and cash equivalents	41 764	50 041	40 483
<b>Total assets</b>	<b>463 695</b>	<b>424 608</b>	<b>438 340</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>	<b>203 322</b>	<b>164 622</b>	<b>141 875</b>
Stated capital	222 297	137 378	137 378
Foreign currency translation reserve	27 534	27 898	28 898
Retained earnings	(51 749)	(6 343)	(28 417)
Share-based payment reserve	5 240	5 689	4 016
<b>Non-controlling interest</b>	<b>40 596</b>	<b>45 995</b>	<b>43 507</b>
<b>Total equity</b>	<b>243 918</b>	<b>210 617</b>	<b>185 382</b>

R'000	Unaudited Six months 31 Dec 2017	Unaudited Six months 31 Dec 2016	Audited Year ended 30 June 2017
<b>Non-current liabilities</b>	<b>129 253</b>	<b>154 652</b>	<b>184 738</b>
Other financial liabilities	82 507	116 244	142 630
Finance lease obligations	26 918	32 846	25 408
Operating lease liability	18 796	5 338	16 320
Provisions	1 032	94	-
Deferred taxation	-	130	380
<b>Current liabilities</b>	<b>90 524</b>	<b>59 339</b>	<b>68 220</b>
Other financial liabilities	41 509	9 603	13 630
Finance lease obligations	9 938	4 366	8 820
Trade and other payables	27 056	29 862	36 658
Provisions	5 414	3 092	3 645
Operating lease liabilities	3 067	3 696	3 141
Current tax payable	3 540	8 720	2 326
<b>Total equity and liabilities</b>	<b>463 695</b>	<b>424 608</b>	<b>438 340</b>

#### Notes to statement of financial position

Total number of shares in issue ('000)	287 988	221 615	221 615
Net asset value per share (cents)	84.70	95.04	83.65
Net tangible asset value per share (cents)	64.40	69.97	58.81

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Unaudited Six months 31 Dec 2017	Unaudited Six months 31 Dec 2016	Audited Year ended 30 June 2017
Revenue	199 463	149 751	309 109
Cost of sales	(100 750)	(74 651)	(154 857)
<b>Gross profit</b>	<b>98 713</b>	<b>75 100</b>	<b>154 252</b>
EBITDA (earnings before interest, impairment, tax, depreciation and amortisation)	(8 842)	(13 127)	(22 866)
Investment income	286	290	725
Depreciation and amortisation	(15 939)	(12 636)	(28 779)
Net finance costs	(6 865)	(6 255)	(15 097)
<b>Loss before taxation</b>	<b>(31 360)</b>	<b>(31 728)</b>	<b>(66 017)</b>
Taxation	8 716	9 048	17 834
<b>Loss for the period</b>	<b>(22 644)</b>	<b>(22 680)</b>	<b>(48 183)</b>
Other comprehensive expense for the period, net of tax	(2 714)	(13 202)	(11 761)
<b>Total comprehensive loss for the period</b>	<b>(25 358)</b>	<b>(35 882)</b>	<b>(59 944)</b>
<b>Loss attributable to:</b>	<b>(22 644)</b>	<b>(22 680)</b>	<b>(48 183)</b>
Owners of the parent	(23 332)	(23 311)	(48 176)
Non-controlling interest	688	631	(7)

<b>Total comprehensive loss attributable to:</b>	<b>(25 358)</b>	<b>(35 882)</b>	<b>(59 944)</b>
Owners of the parent	(24 696)	(35 793)	(59 658)
Non-controlling interest	(662)	(89)	(286)

**Per share information:**

Loss per share (cents)	(8.55)	(10.52)	(21.74)
Diluted loss per share (cents)	(8.55)	(10.52)	(17.08)

**Notes to the statement of comprehensive income**

**Headline loss for the period attributable to ordinary shareholders:**

Headline loss per share (cents)	(8.56)	(10.52)	(21.75)
Diluted headline loss per share (cents)	(8.56)	(10.52)	(17.09)
- Total number of shares in issue ('000)	287 988	221 615	221 615
- Weighted average number of shares ('000)	272 838	221 615	221 615
Reconciliation of headline earnings calculation:			
Loss for the period attributable to ordinary shareholders	(23 332)	(23 311)	(48 176)
Profit on sale property, plant and equipment	(14)	(8)	(36)
Tax effects of adjustments	4	2	10

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<b>Headline loss for the period attributable to ordinary shareholders</b>	<b>(23 342)</b>	<b>(23 317)</b>	<b>(48 202)</b>
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## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months 31 Dec 2017	Unaudited Six months 31 Dec 2016	Audited Year ended 30 June 2017
<b>Cash flows used in operating activities</b>			
Cash generated by operations	(4 357)	(16 288)	(19 574)
Investment income	286	290	725
Finance cost	(6 865)	(6 255)	(15 097)
Taxation (paid) / received	(3 277)	182	(10 511)
<b>Net cash used in operating activities</b>	<b>(14 213)</b>	<b>(22 071)</b>	<b>(44 457)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	(27 469)	(29 401)	(52 090)
Proceeds on the sale of property, plant and equipment	73	122	19 093
Acquisition of intangible assets	(323)	(2 210)	(3 344)
Acquisition of 100 % shares in Madison Day Surgery	(8 440)	-	-
Financial assets advanced	(1 306)	-	-
Financial assets received	57	2 137	2 595
<b>Net cash used in investing activities</b>	<b>(37 408)</b>	<b>(29 352)</b>	<b>(33 746)</b>
<b>Cash flows from financing activities</b>			
Issue of shares in subsidiary	11 349	2 100	2 867
Proceeds from subsequent sale of shares in Madison Day Surgery	3 481	-	-
Financial liabilities raised	47 286	54 009	89 234
Financial liabilities repaid	(2 991)	-	(10 728)
Dividends paid – non-controlling interest	(4 214)	(434)	(3 374)
Finance lease payments	(915)	(3 563)	(7 381)
<b>Net cash from financing activities</b>	<b>53 996</b>	<b>52 112</b>	<b>70 618</b>
Net increase / (decrease) in cash and cash equivalents	2 375	689	(7 585)
Cash and cash equivalents at beginning of period / year	40 483	52 844	52 844
Effect of foreign currency translation	(1 094)	(3 492)	(4 776)
<b>Cash and cash equivalents at end of period / year</b>	<b>41 764</b>	<b>50 041</b>	<b>40 483</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Net 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
<b>Balance at 1 July 2016</b>	<b>137 378</b>	<b>4 465</b>	<b>40 380</b>	<b>16 968</b>	<b>44 300</b>	<b>243 491</b>
Loss for the period	-	-	-	(23 311)	631	(22 680)
Other comprehensive income for the period	-	-	(12 482)	-	(720)	(13 202)
Share-based payment expense	-	1 224	-	-	-	1 224
Change in subsidiary interest	-	-	-	-	(464)	(464)
Dividends	-	-	-	-	(464)	(464)
Issue of shares in subsidiary	-	-	-	-	2 713	2 713
<b>Balance at 31 December 2016</b>	<b>137 378</b>	<b>5 689</b>	<b>27 898</b>	<b>(6 343)</b>	<b>45 995</b>	<b>210 617</b>
Loss for the period	-	-	-	(24 865)	(638)	(25 503)
Other comprehensive income for the period	-	-	1 000	-	441	1 441
Share-based payment expense	-	1 118	-	-	-	1 118
Transfer of revaluation	-	(2 791)	-	2 791	-	-
Change in subsidiary interest	-	-	-	-	465	465
Dividends	-	-	-	-	(2 910)	(2 910)
Issue of shares in subsidiary	-	-	-	-	154	154
<b>Balance at 30 June 2017</b>	<b>137 378</b>	<b>4 016</b>	<b>28 898</b>	<b>(28 417)</b>	<b>43 507</b>	<b>185 382</b>
Loss for the period	-	-	-	(23 332)	688	(22 644)
Other comprehensive income for the period	-	-	(1 364)	-	(1 350)	(2 714)
Share-based payment expense	-	1 224	-	-	-	1 224
Dividends	-	-	-	-	(4 214)	(4 214)
Issue of shares	84 919	-	-	-	1 965	86 884
<b>Balance at 31 December 2017</b>	<b>222 297</b>	<b>5 240</b>	<b>27 534</b>	<b>(51 749)</b>	<b>40 596</b>	<b>243 918</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated results for the period ended 31 December 2017 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 SAICA Financial Reporting Guides as issued by the Accounting Practices Committee. The accounting policies applied in the preparation of the unaudited condensed consolidated results for the period were derived, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous unaudited condensed consolidated results for the period and are presented in South African rand, which is the Group's functional and presentation currency.

There are no significant reportable matters arising since the end of the period ended 31 December 2017 under review.

The unaudited condensed consolidated results for the period ended 31 December 2017 have been prepared under the supervision of CP Snyman CA (SA), in his capacity as Chief Financial Officer.

The results were approved by the board of directors on 27 February 2018 and have not been reviewed or audited by the Group's external auditors Mazars (Gauteng) Inc.

### 2. STATED CAPITAL

The issued stated capital of Advanced Health is 287 988 433 shares amounting to R310 764 305 (December 2016: 221 614 801 amounting to R225 377 305) 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 1 July 2017	221 615	225 845	(88 467)	137 378
Rights issue**	66 373	84 919	-	84 919
Balance as at 31 December 2017	<b>287 988</b>	<b>310 764</b>	<b>(88 467)</b>	<b>222 297</b>

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

\*\*During August 2017, the Company concluded a successful rights issue whereby 66 373 632 new Advanced Health Shares were issued to raise R84.9 million.

### 3. SEGMENTAL REPORTING

The Group during the year decided to change the composition of the segments. The segments are still based on the geographical location with corporate now only including Advanced Health Limited "the company" unlike previously where Corporate included the parent companies from South Africa and Australia. The change on segment reporting has no impact on the net profit or loss of the Group. To enable comparisons with prior period performance, historical segment information for the periods ended 31 December 2016 and 30 June 2017 have been included.

	<b>Unaudited Six months Dec-17</b>	<b>Unaudited Six months Dec-16</b>	<b>Audited Year ended June-17</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>REVENUE</b>	<b>199 463</b>	<b>149 751</b>	<b>309 109</b>
South Africa	52 561	39 490	90 315
Australia	146 902	110 261	218 794
Corporate	-	-	-
<b>INTEREST INCOME</b>	<b>286</b>	<b>290</b>	<b>725</b>
South Africa	186	90	428
Australia	100	171	297
Corporate	-	29	-
<b>INTEREST EXPENSE</b>	<b>6 865</b>	<b>6 255</b>	<b>15 097</b>
South Africa	4 772	4 892	12 501
Australia	1 653	1 363	2 596
Corporate	440	-	-
<b>DEPRECIATION &amp; AMORTISATION</b>	<b>15 939</b>	<b>12 636</b>	<b>28 779</b>
South Africa	9 128	6 803	16 948
Australia	6 444	5 833	11 468
Corporate	367	-	363
<b>LOSS FOR THE PERIOD</b>	<b>(22 644)</b>	<b>(22 680)</b>	<b>(48 183)</b>
South Africa	(22 345)	(21 894)	(45 153)
Australia	1 986	924	1 177
Corporate	(2 285)	(1 710)	(4 207)

<b>SEGMENT ASSETS</b>	<b>463 695</b>	<b>424 608</b>	<b>438 340</b>
South Africa	238 804	224 879	236 138
Australia	214 320	197 996	192 989
Corporate	10 571	1 733	9 213
<b>SEGMENT LIABILITIES</b>	<b>219 777</b>	<b>213 991</b>	<b>252 958</b>
South Africa	115 973	131 036	174 264
Australia	97 251	82 577	72 168
Corporate	6 553	378	6 526

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. BUSINESS COMBINATION

On 1 July 2017, Presmed Australia acquired 100 % of the ordinary shares of Madison Day Surgery Proprietary Limited "MDS" and Madison Day Surgery Unit Trust thereby achieving control. MDS is a one theatre ophthalmic specific day hospital, accredited and with contracts in place with most of the Health Funds. PMA subsequently sold shares on the 30<sup>th</sup> of September 2017 in the hospital to doctors performing at the facility resulting in PMA's equity interest being reduced to a 57.5% equity interest and control still maintained.

The primary reasons of the business combination were to acquire a medical licence and an accredited facility with the right to operate an Ophthalmic specific day hospital situated in Hornsby, New South Wales, Australia.

The total consideration was settled in cash of AUD850 000 (R8 439 710).

Goodwill of AUD879 080 (R8 728 447) arising from the acquisition consists of

- accredited and licenced facility, contracts in place with the majority of Health Funds
- MDS is situated in the heart of Hornsby which has a growing population.
- MDS facility is also surrounded by seven Hornsby based Ophthalmologists.

None of the goodwill is expected to be deductible for income tax purposes.

Acquisition costs amounting to AUD116 700 (R1 217 320) have been included in the results for Presmed Australia for the year ended 30 June 2018.

#### Recognised amounts of identifiable assets acquired and liabilities

	AUD	Rand
Fixed assets	1	10
Leave provision	(29 081)	(288 747)
<b>Total identifiable net liabilities</b>	<b>(29 080)</b>	<b>(288 737)</b>
Goodwill	879 080	8 728 447
Cash paid	850 000	8 439 710

From the date of acquisition, Madison Day Surgery has contributed AUD860 474 (R8 975 772) of revenue and AUD23 555 (R245 706) to the net profit after tax from the continuing operations of the Group.

Due to the purchase of MDS, goodwill increased with AUD879 080 (R8 728 447). Adjustment to goodwill due to sale of shares to doctors on the 30<sup>th</sup> of September 2017 resulted in a net reduction in goodwill of AUD379 080 (R3 908 447). Total increase in goodwill therefore AUD500 000 (R4 820 000).



## 5. PROPERTY, PLANT AND EQUIPMENT

The increase in plant and equipment relates to capital costs incurred to expand operations in relation to specifically the development of the new day clinics. Presmed Australia established a one theatre facility in August 2017 (Coffs Day Hospital) in an existing day hospital premises in Coffs Harbour, capital costs amounting to R9 million were incurred where in South Africa assets to the value of R3 million were purchased for East Rand Day Hospital to become operational during February 2018.

## 6. DEFERRED TAX

Deferred tax increased during the period under review - this is due to the increase in assessed losses incurred by the group for the period ended 31 December 2017.

## 7. TRADE AND OTHER RECEIVABLES

Trade and other receivables decreased due the VAT refunds received from the South African Revenue Services amounting to R5,8 million.

## 8. OTHER FINANCIAL LIABILITIES

The movements in the current and non-current other financial liabilities are due to:

- The rights issue during August 2017 whereby 58,4 million shares were not settled in cash, but a loan account outstanding was converted into shares – amount of R75,9 million.
- Additional loans obtained in South Africa and Australia.
- Bank of Queensland in Australia provided a bridge loan to PMA to the value AUD1,14 million (R11,01 million) included in current liabilities.

## 9. TRADE AND OTHER PAYABLES

Trade and other payables decreased during the period ended 31 December 2017 due to fewer equipment purchases.

## 10. RELATED PARTIES

During the period ended 31 December 2017, 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. OTHER FINANCIAL ASSETS

Other financial assets increased due to loans advanced to related parties in Australia.

## 12. REVENUE

Revenue increased by 33% to R199.5 million from R149.7 million and this is largely attributed to the increase in patient numbers and two more facilities opened in Australia which are Madison Day Surgery and Coffs Day Hospital.

## EXCHANGE RATES

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

<b>Rand/Australian Dollar</b>	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>	<b>30 Jun 2017</b>
Closing rate	9.64302	9.8617	9.92907
Average rate	10.4312	10.5586	10.2634

## INVESTOR PRESENTATION

There will be an investor presentation on 1 March 2018 and the presentation will be available on the Company's website, hosted at [www.advancedhealth.co.za](http://www.advancedhealth.co.za).

## **COMMENTARY**

### **HIGHLIGHTS**

- Revenue increased by 33% to R199.5 million.
- Headline loss per share decreased by 18.7% to 8.56 cents
- 66 373 632 new Advanced shares issued through a rights issue to raise R84.9 million in additional capital.
- Net debt less cash to equity ratio decreased by 36% to 49% (2016: 77%)
- The acquisition of two new day hospitals in Australia.

### **INTRODUCTION**

Advanced is establishing itself as a leader in day surgery across South Africa and Australia. Private healthcare is currently in a very exciting stage of development, and Advanced is positioning itself within the existing healthcare system, filling a gap in the market for day surgery. Medical schemes are aligning themselves to the day hospital model, and we are gradually seeing traction in them directing surgical procedures towards day hospitals as an alternative, more cost-effective option. The involvement of specialists toward day surgeries is growing with 33 new surgeons having joined the Presmed Group in the period ended 31 December 2017.

### **FINANCIAL RESULTS**

The Company remained in a loss-making position, however there has been an improvement from the comparative period ended 31 December 2016 as evidenced by a 33% increase in revenue from R149.7 million. The Presmed Group in which Advanced holds a 94.65% interest, contributed 74% to revenue and continued earning profits amounting to R1.99 million for the period ending 31 December 2017.

The Presmed Group has performed better than last year, being 38% up on patient surgery numbers and 35% up on revenue, supporting the strategy of new surgeons joining the group and bringing surgery to the facilities.

### **OVERVIEW**

#### **Australia**

Presmed Australia recently acquired another two day hospitals bringing the group total to five facilities. The existing facilities of Chatswood Private Hospital, Central Coast Surgery Centre and Epping Surgery Centre have exceeded expectations. The new Madison Day hospital is performing ahead of expectation, whilst Coffs Harbour Day Hospital has recently opened for surgery. The Presmed Group is now focusing on strengthening its financial position with its current business entities, and continuing to build and grow.

Chatswood Private Hospital, the largest Ophthalmic and ENT day hospital in Australia, has become the first Australian private member of the World Association of Private Hospitals, as well as being approved as a Teaching Hospital and approved for Ophthalmic Registrar training.

#### **South Africa**

In South Africa the company continued incurring losses which is due to the nine facilities (one opened in February 2018) that have been commissioned in a relatively short space of time. Management is now focussed on marketing strategies aimed at growing patient numbers and increasing earnings. There has been a steady improvement in patient numbers of 35%, compared to the period ended 31 December 2016. The equipment purchases have decreased compared to historic levels which should bode well for the future cash flow position of the business.

### **DIVIDEND DECLARATION**

No dividend is proposed or recommended for the period ended 31 December 2017.

## 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.

In South Africa the group will focus on achieving stability in new facilities and ensuring they become profitable and also opening two new hospitals in 2018. Advanced East Rand Day Hospital became operational in February 2018.

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.

Stakeholders are reminded that it takes up to 18 months to establish a new day hospital, which then require a settling-in period of up to 36 months before profit is achieved.

Any forward-looking statements in this announcement have not been reviewed and reported on by the Company's auditors.

### On behalf of the board

**FA van Hoogstraten**  
Chairman  
1 March 2018

**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  
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Muckleneuk  
0002  
Postnet Suite 668, Private Bag X1  
The Willows, 0041

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

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**Non-Executive Directors**  
FA van Hoogstraten (Chairman)  
PJ Jaffe#  
CJPG van Zyl  
WT Mthembu  
J Oelofse  
YJ Visser (alternate)

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# Australian

**Company Secretary:** M Janse van Rensburg  
**Auditors:** Mazars  
**Transfer Secretaries:** Terbium Financial Services Proprietary Limited

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**Designated Advisor**  
Grindrod Bank Limited

