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 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Note	Unaudited Six months 31 Dec 2018	Unaudited Six months 31 Dec 2017	Audited Year ended 30 June 2018
ASSETS				
Non-current assets		**424 525**	**378 842**	**418 273**
Property, plant and equipment	4	280 448	263 847	282 744
Goodwill		30 175	30 947	30 185
Intangible assets		32 256	27 498	33 520
Operating lease asset	5	476	1 217	478
Other financial assets	6	10 690	7 943	10 586
Deferred taxation	7	70 480	47 390	60 760
Current assets		**93 917**	**84 853**	**96 709**
Inventories		13 868	11 235	13 958
Trade and other receivables	8	20 806	20 010	33 393
Operating lease asset	5	3 064	4 841	5 634
Other financial assets	6	4 791	5 645	2 298
Current tax receivable	9	1 621	1 358	107
Cash and cash equivalents	10	49 767	41 764	41 319
Total assets		**518 442**	**463 695**	**514 982**
EQUITY AND LIABILITIES				
Capital and reserves		**175 599**	**203 322**	**193 831**
Stated capital		221 956	222 297	221 956
Retained earnings		(82 671)	(51 749)	(64 368)
Foreign currency translation reserve		34 281	27 534	34 363
Share-based payment reserve	11	2 033	5 240	1 880
Non-controlling interest		**53 376**	**40 596**	**53 459**
Total equity		**228 975**	**243 918**	**247 290**

R'000		Unaudited Six months 31 Dec 2018	Unaudited Six months 31 Dec 2017	Audited Year ended 30 June 2018
Non-current liabilities		**197 061**	**129 253**	**170 084**
Other financial liabilities	12	153 672	82 507	127 495
Finance lease obligations	13	19 156	26 918	19 497
Operating lease liability		23 212	18 796	22 101
Provisions		1 021	1 032	991
Current liabilities		**92 406**	**90 524**	**97 608**
Other financial liabilities	12	20 697	41 509	18 239
Finance lease obligations	13	14 325	9 938	18 718
Trade and other payables		41 466	27 056	45 919
Provisions		8 124	5 414	7 366
Current tax payable		6 139	3 540	5 000
Operating lease liabilities		1 655	3 067	2 366
Total equity and liabilities		**518 442**	**463 695**	**514 982**
Notes to statement of financial position				
Total number of shares in issue ('000)		287 988	287 988	287 988
Net asset value per share (cents)		79.51	84.70	85.87
Net tangible asset value per share (cents)		57.83	64.40	63.75

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000		Unaudited Six months 31 Dec 2018	Unaudited Six months 31 Dec 2017	Audited Year ended 30 June 2018
Revenue	15	244 079	199 463	409 290
Cost of sales	15	(114 055)	(100 750)	(199 304)
Gross profit		**130 024**	**98 713**	**209 986**
EBITDA*	16	4 584	(8 842)	(8 122)
Investment income		219	286	807
Depreciation and amortisation	4	(17 131)	(15 939)	(32 451)
Net finance costs	12	(9 048)	(6 865)	(14 702)
Loss before taxation		**(21 376)**	**(31 360)**	**(54 468)**
Taxation		5 899	8 716	18 223
Loss for the period		**(15 477)**	**(22 644)**	**(36 245)**
Other comprehensive expense for the period, net of tax		(134)	(2 714)	6 500
Total comprehensive loss for the period		**(15 611)**	**(25 358)**	**(29 745)**
Loss attributable to:		**(15 477)**	**(22 644)**	**(36 245)**
Owners of the parent		(17 888)	(23 332)	(39 588)
Non-controlling interest		2 411	688	3 343

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

Total comprehensive loss attributable to:	**(15 611)**	**(25 358)**	**(29 745)**
Owners of the parent	(17 970)	(24 696)	(34 123)
Non-controlling interest	2 359	(662)	4 378
Per share information:			
Loss per share (cents)	(6.21)	(8.55)	(14.12)
Diluted loss per share (cents)	(6.21)	(8.55)	(14.12)

Notes to the statement of comprehensive income			
Headline loss for the period attributable to ordinary shareholders:			
Headline loss per share (cents)	(6.21)	(8.56)	(14.12)
Diluted headline loss per share (cents)	(6.21)	(8.56)	(14.12)
- Total number of shares in issue (‘000)	287 988	287 988	287 988
- Weighted average number of shares (‘000)	287 988	272 838	280 351
Reconciliation of headline earnings calculation:			
Loss for the period attributable to ordinary shareholders	(17 888)	(23 332)	(39 588)
Profit on sale property, plant and equipment	-	(14)	(10)
Tax effects of adjustments	-	4	3
Headline loss for the period attributable to ordinary shareholders	**(17 888)**	**(23 342)**	**(39 595)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Unaudited Six months 31 Dec 2018	Unaudited Six months 31 Dec 2017	Audited Year ended 30 June 2018
Cash flows from operating activities				
Cash generated from / (used in) operations	8/10	16 796	(4 357)	5 772
Investment income		219	286	807
Finance cost	12	(8 720)	(6 865)	(13 895)
Taxation paid	9	(4 200)	(3 277)	(5 863)
Net cash inflow / (outflow) from operating activities		**4 095**	**(14 213)**	**(13 179)**
Cash flows from investing activities				
Acquisition of property, plant and equipment	4	(13 441)	(27 469)	(54 104)
Proceeds on the sale of property, plant and equipment		-	73	1 693
Acquisition of intangible assets		(159)	(323)	(1 658)
Acquisition of 100 % shares in Madison Day Surgery (MDS)	10	-	(8 440)	(8 439)
Financial assets advanced		(2 634)	(1 306)	(4 147)
Financial assets received		-	57	3 126
Net cash outflow from investing activities		**(16 234)**	**(37 408)**	**(63 529)**
Cash flows from financing activities				
Issue of shares in subsidiary		695	11 349	20 232
Proceeds from subsequent sale of shares in MDS		-	3 481	-
Financial liabilities raised	12	30 958	47 286	97 648
Financial liabilities repaid		(2 298)	(2 991)	(32 964)
Dividends paid – non-controlling interest		(3 552)	(4 214)	(5 958)
Finance costs		(328)	-	(807)
Finance lease payments	13	(4 764)	(915)	(1 422)
Net cash inflow from financing activities		**20 711**	**53 996**	**76 729**
Net increase in cash and cash equivalents		8 572	2 375	21
Cash and cash equivalents at beginning of period / year		41 319	40 483	40 483
Effect of foreign currency translation		(124)	(1 094)	815
Cash and cash equivalents at end of period / year		**49 767**	**41 764**	**41 319**

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
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 loss for the year	-	-	(11 482)	-	(279)	(11 761)
Share-based payment expense	-	2 342	-	-	-	2 342
Change in subsidiary interest	-	-	-	-	2 867	2 867
Transfer between reserves	-	(2 791)	-	2 791	-	-
Dividends	-	-	-	-	(3 374)	(3 374)
Balance at 30 June 2017	**137 378**	**4 016**	**28 898**	**(28 417)**	**43 507**	**185 382**
(Loss)/Profit for the year	-	-	-	(39 588)	3 343	(36 245)
Other comprehensive income for the year	-	-	5 465	-	1 035	6 500
Share-based payment expense	-	1 501	-	-	-	1 501
Transfer of revaluation	-	(3 637)	-	3 637	-	-
Change in subsidiary interest	-	-	-	-	11 532	11 532
Dividends	-	-	-	-	(5 958)	(5 958)
Issue of shares - net	84 578	-	-	-	-	84 578
Balance at 30 June 2018	**221 956**	**1 880**	**34 363**	**(64 368)**	**53 459**	**247 290**
(Loss)/Profit for the period	-	-	-	(17 888)	2 411	(15 477)
Other comprehensive loss for the period	-	-	(82)	-	(52)	(134)
Share-based payment expense	-	153	-	-	-	153
Dividends	-	-	-	-	(3 552)	(3 552)
Transfer between reserves	-	-	-	(415)	415	-
Issue of shares	-	-	-	-	695	695
Balance at 31 December 2018	**221 956**	**2 033**	**34 281**	**(82 671)**	**53 376**	**228 975**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated results for the period ended 31 December 2018 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 previous unaudited condensed consolidated results for the period except for the mandatory adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers which became effective 1 January 2018. The adoption of IFRS 9 and IFRS 15 did not have a significant impact on the amounts recognised or disclosed in the unaudited condensed consolidated interim financial statements therefore Advanced elected not to restate prior years.

The unaudited condensed consolidated interim financial statements 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 under review.

The unaudited condensed consolidated results for the period ended 31 December 2018 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 26 February 2019 and have not been reviewed or audited by the Group’s external auditors Mazars.

1.1 Implementation of IFRS 9

IFRS 9 introduces new classification categories for financial instruments. Under IFRS 9, financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics, while the classification of financial liabilities remains largely the same as that under IAS 39. There have been no changes to the classification, and therefore the measurement criteria, of financial assets and financial liabilities, except for the naming conventions, Loans and Receivables are now called financial assets at amortised cost.

The adoption of IFRS 9 has led to the change in the calculation of impairment of trade and other receivables from the incurred credit loss to the expected credit loss model (ECL). Under the incurred credit loss model, the provision for impairment of trade receivables was made when there was objective evidence that the Group would not collect the debt as per the original term of receivables whilst the expected credit loss model takes into account forward looking information such as macroeconomic factors.

Considering that the trade and other receivables have been assessed not to have a significant financing component, the Group elected to use the simplified approach for the calculation of lifetime ECLs. In determining the ECL, the receivables were grouped together based on similar credit risks, thereby applying the practical expedient available by using a provision matrix. ECLs were calculated by applying a historic loss ratio to the revenue received in the different aging groups at the two reporting dates analysed, i.e. 2017 and 2018 financial years.

The Group made use of the historical actual trade receivables write offs and the sum of debt accounts that were handed over to the debt collectors to determine the potential write off. The debtors book consists mainly of medical aid schemes and thus the historical loss rates have not been adjusted for any forward-looking information at this point in time. This is mainly due to the fact that there have been no changes that have taken place in the industry that could threaten paying capacity of the schemes on behalf of their members.

The Group's impairment of trade receivables using the incurred loss model under IAS 39 for the year ended 30 June 2018 was R1,04 million. The ECLs for the year ending 30 June 2018 under IFRS 9 was calculated to be R0,63 million. The difference was considered to be immaterial and thus not been processed as an adjustment to retained earnings using the modified retrospective approach.

2. STATED CAPITAL

The issued stated capital of Advanced is 287 988 433 shares amounting to R221 956 000 (December 2017: 287 988 433 amounting to R221 956 000) 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 2018	287 988	310 423	(88 467)	221 956
Balance as at 31 December 2018	**287 988**	**310 423**	**(88 467)**	**221 956**

* 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. Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segment and to assess its performance. The segments are based on the geographical location with corporate only relating to Advanced "the company".

	Unaudited Six months Dec-18	**Unaudited Six months Dec-17**	**Audited Year ended June-18**
	R'000	**R'000**	**R'000**
REVENUE	**244 079**	**199 463**	**409 290**
South Africa	78 386	52 561	117 430
Australia	165 693	146 902	291 860
Corporate	-	-	-
INTEREST INCOME	**219**	**286**	**807**
South Africa	118	186	592
Australia	101	100	215
Corporate	-	-	-
INTEREST EXPENSE	**9 048**	**6 865**	**14 702**
South Africa	7 182	4 772	10 580
Australia	1 538	1 653	3 315
Corporate	328	440	807
DEPRECIATION & AMORTISATION	**17 131**	**15 939**	**32 451**
South Africa	9 517	9 128	17 915
Australia	7 310	6 444	13 869
Corporate	304	367	667
LOSS FOR THE PERIOD	**(15 477)**	**(22 644)**	**(36 245)**
South Africa	(23 584)	(22 345)	(42 758)
Australia	8 344	1 986	7 544
Corporate	(237)	(2 285)	(1 031)
SEGMENT ASSETS	**518 442**	**463 425**	**514 982**
South Africa	269 298	238 534	266 663
Australia	239 166	214 320	237 900
Corporate	9 978	10 571	10 419
SEGMENT LIABILITIES	**289 471**	**219 778**	**267 692**
South Africa	188 766	115 974	162 260
Australia	92 321	97 251	98 901
Corporate	8 384	6 553	6 531

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 year, the Group incurred costs amounting to R13,44 million for the capital expenditure, a total of R3,5 million was incurred in Australia whilst R10,0 million related to South Africa with the bulk relating to Harbour Bay Surgical Centre in Simonstown where R4 million was spent. Depreciation was higher for the six months under review due to higher capital expenditure.

5. 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.

6. OTHER FINANCIAL ASSETS

Other financial assets increased due to the loan advanced to Epping Surgery Centre Property Unit Trust by Epping Surgery Centre Proprietary Limited.

7. 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 six months.

8. TRADE AND OTHER RECEIVABLES

Trade and other receivables decreased both in SA and Australia. This is attributed to two factors;

- Revenue in December was low as compared to the other months due to the holiday season.
- Improvement in the collection period in South Africa by more than 100% from 17 days to 7 days.

9. CURRENT TAX RECEIVABLE

Increase in current tax receivable is due to income tax paid in Australia.

10. CASH AND CASH EQUIVALENTS

There has been a substantial increase in cash and cash equivalent as compared to December 2017 and June 2018. The Group has engaged less in investing activities and more emphasis placed on cash generated from operations. Advanced is at present, less reliant on debt to manage its day to day operations.

11. SHARE BASED PAYMENT RESERVE

As at 30 June 2018, share option scheme 3 expired. Share option scheme 4 has still not yet been exercised and the option is to lapse at the end of June 2019.

12. OTHER FINANCIAL LIABILITIES

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

- Loans advanced from Eenhende Konsultante amounting to R24,3 million for South Africa and R0,6 million for Australia.
- Other financial institutions advanced loans amounting to R4,4 million.

The loans listed above are interest bearing debt and thus have an effect on the finance costs which increased by 31%.

13. FINANCE LEASE OBLIGATIONS

No additional finance leases were obtained within the six months under review. An amount of R4,8 million was repaid.

14.RELATED PARTIES

During the six months ended 31 December 2018, 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.

15. REVENUE AND COST OF SALES

The increase in revenue is due to an increase in patient numbers from organic growth as well as new facilities that became operational in the prior year. Increase attributable to organic growth amounts to 20%. Revenue increased by 22% from R199,5 million to R244,0 million in the period under review.

Gross profit percentage improved by 8% from 49% to 53% arising from improvement in management of direct costs both in South Africa and Australia.

Revenue is derived from the provision of same day surgical procedures being, the rendering of services, and same day medication and medical supplies being, sale of goods. Revenue from rendering of services for the period was R24,5 million (2017: R14,6 million) that from sale of goods was R219,5 million (2017: R188,7 million). Revenue recognition is on completion of the day case upon discharge of the patient. Refer to note 3 for segmental information that discloses the revenue disaggregation as per the requirements of IFRS 15.

16. EBITDA

Positive EBITDA for the six months period under review. A marked improvement from both the comparative period and the last published results due to cost controls.

EXCHANGE RATES

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

Rand/Australian Dollar	31 Dec 2018	31 Dec 2017	30 Jun 2018
Closing rate	10.1374	9.64302	10.1426
Average rate	10.2669	10.4312	9.97452

INVESTOR PRESENTATION

There will be an investor presentation on 28 February 2019 and the presentation will be available on the Advanced's website, hosted at www.advancedhealth.co.za and on YouTube at https://www.youtube.com/channel/UCA_6wZhEXdG72PmblWRqBKw

COMMENTARY

HIGHLIGHTS

- Revenue increased by 22% to R244,0 million.
- Positive EBITDA of R4,584 million.
- Reduction in net losses by 32%.

BACKGROUND ON DAY HOSPITAL INDUSTRY

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 our model, and we are gradually seeing traction in them directing surgical procedures towards day hospitals as an alternative, more cost-effective option. The Discovery Health Medical Scheme as of 2019 has introduced the Discovery Day Surgery Network. Advanced Group of hospitals is part of this network and this is viewed as a channel to increase patient numbers going forward.

FINANCIAL RESULTS
The Group remained in a loss-making position, however there has been an improvement from the comparative six months ended 31 December 2017 as evidenced by a 32% reduction in losses.

The Australian operations have performed better than last year, being 17% up on patient surgery numbers and 13% up on revenue. The main focus has been on cost controls, efficiencies and good cash collections resulting in more than a 100% increase in profits compared to the December 2017. Performance exceeded expectations at Central Coast Surgery Centre, Madison Day Surgery and Chatswood Private Hospital. There is a continued emphasis on strengthening its financial position with its current business entities.

South African operations continued incurring losses but nevertheless revenue increased by 49% whilst patient numbers increased by 42%. Revenue increase attributable to organic growth was 39%. The capital expenditure decreased in South Africa which is bound to have less adverse pressure on the cash flows of the business.

OVERVIEW
Australia
The Ophthalmic Registrar training program at Chatswood Private Hospital has successfully commenced. This together with being recognised as a Teaching Hospital affiliated with the University of Sydney, as well as its retention as the only Australian private member of the World Association of Eye Hospitals, maintains its position as setting premium standards within the day hospital market.

The Presmed Australia Board made a decision on 5 February 2019 to cease funding Coffs Harbour Day Hospital and various options are currently being explored namely; selling the day hospital to an interested party or close and discontinue the operations. This decision is due to insufficient doctor support.

South Africa
Management continues its focus on marketing strategies aimed at growing patient numbers and increasing earnings. Regardless of the losses incurred during the reporting period there has been a notable increase in patient numbers. Efforts are currently being directed on the commencement of operations at the Harbour Bay Surgical Centre in Simonstown. Capital expenditure to the value of R4,8 million has been incurred to this effect.

DIVIDEND DECLARATION
No dividend is proposed or recommended for the six-month period ended 31 December 2018.

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 all facilities and ensuring they become profitable.

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 acquisition of profitable day hospitals.

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

On behalf of the board

FA van Hoogstraten	**CA Grillenberger**	**CP Snyman**
Chairman	**Chief Executive Officer**	**Chief Financial Officer**
28 February 2019		

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	**Non-Executive Directors**
CA Grillenberger (Chief Executive Officer)	FA van Hoogstraten (Chairman)
CP Snyman (Chief Financial Officer)	PJ Jaffe#
MC Resnik# (Chief Executive Officer Presmed Australia)	CJPG van Zyl
D Goss-Ross (Chief Operating Officer South Africa) (alternate)	Dr WT Mthembu
	Dr J Oelofse
	YJ Visser (alternate)

Australian

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

Designated Advisor
Grindrod Bank Limited