**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

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

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.

In South Africa, 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.

## IMPACT OF COVID-19

### South Africa

COVID 19 resulted in a change to the composition of cases in a more favorable direction within the South African operations. Some of the short-stay cases that were traditionally performed at acute facilities have been moved to day facilities, because of elective surgery being on hold for a longer period in the acute facility to accommodate COVID 19 patients in available beds. Revenue per case is indicative of this, which has increased by 24% year on year, whereas case numbers have increased by only 2%. A further indicator of a change of case mix is that theatre minutes per case has increased from 38 to 48 minutes.

Disciplines like Ear-Nose and Throat surgery and Ophthalmic surgery were negatively impacted by COVID 19 due to the nature of the procedures. The contribution to total revenue and cases have not completely returned to the same levels as pre-COVID 19, but contribution to total revenue has recovered to 5% (previously 6%). In the first 9 months of the previous financial year, Ophthalmology contributed 18% to total revenue and 14% to total cases. For the 12 months which ended 30 June 2021, it contributed 11% to total cases and 13% to total revenue.

### Australia

Within the Australian operations, the impact of COVID 19 pandemic was also seen where in late March 2020, all non-urgent elective surgery was temporarily stopped by the Australian Government in an attempt to control the COVID 19 pandemic. At the end of April, this was allowed to increase using a staggered approach up to 75% by 30 June 2020, and back to 100% from July 2020. There was a catch up in the backlog of elective surgery cases in the months of July 2020 which resulted in an increase in revenue, after which elective surgery cases returned to normal levels.

Important factors that need to be taken into account, is the Australian Government's intervention by recognising the role private hospitals play in the economy of the country. In line with this, PMA secured a funding viability agreement with the Australian Commonwealth Government and New South Wales (NSW) Health to support the coordinated response to the public and private sectors during the COVID 19 pandemic, which assisted the viability of the hospitals and its staff to ensure that ongoing services were provided.

Proactive measures taken by the Australian Government with advice from leading health experts, as well as a largely abiding population, has assisted in controlling the pandemic within Australia, with limited impact on the supply chains and other business related issues. In order to ensure minimisation of risk, PMA was pro-active in pre-ordering additional surgical and medical stock from suppliers to safeguard that there would be limited effect in surgical operations taking place. Further planning has been put in place with regular PMA management meetings to strategise ways to ensure ongoing communications received from Australia Department of Health as to the preventative processes, are followed in all its day hospitals. Part of this includes continuous communication with PMA surgeons and strategic planning with its Medical Advisory and Audit Committees.

## FINANCIAL PERFORMANCE

### OVERVIEW

The Group made a profit of R24.4m (2020: loss of R94.1m) before tax and R0.6m (2020: loss R133.8m) after tax. The results were driven by a strong performance of the Australia segment which contributed R62.5m (2020: R14.4m) in profit after tax. South African operations continue to be in a loss situation, however the losses after tax have been reduced by R84.7m when compared to the prior periods.

### Australia

PMA produced excellent results in what has been a challenging year and reported a profit of R62.5million (2020: R14.4million) in the current year. The profits increased by more than 100% when compared to the prior year. The factors influencing the positive performance of PMA included the ongoing support from specialists and an increase in surgeries as a result of the backlog of patients that could not be operated in June 2020 as per government COVID-19 restrictions that were in place.

PMA increased their investment in Metwest by 19% in November 2020 resulting in a total shareholding of 38%. 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 losses of R47.7million (2020: R132.4) in the current year. These losses were significantly lower than the losses that were reported for the same period in the prior year. Harbour Bay in Simonstown had commenced its operations in February 2020, in the 2021 financial year the entity traded for a full 12 months compared to the 5 months in the prior year. Vergelegen was sold in April 2021.

In the prior year the directors of the Group decided to dispose of four subsidiaries. The assets and liabilities attributable to these subsidiaries were classified as a disposal group as at 30 June 2020 and presented separately in the statement of financial position as disposal was expected to occur within 12 months. One facility (Advanced Vergelegen Surgical Centre Proprietary Limited) was sold during the year under review. Soweto Day Hospital Proprietary Limited is in the process of being liquidated and is still classified as a disposal group. The results of Advanced Harbour Bay Surgical Centre Proprietary Limited and Advanced East Rand Day hospital improved during the year under review and the intention is no longer to sell these facilities. Accordingly, the assets and liabilities of these entities were reclassified as they no longer form part of a disposal group.

## FINANCIAL RESULTS HIGHLIGHTS

- Revenue increased to R680.7million (2020: R476.2million).
- EBITDA improved to R162.6million (2020: R54.5million).
- Taxation expense decreased to R23.8million (2020: R39.7million).
- Profit after tax for the year is reported at R0.6million (2020: (loss R133.8million).
- Basic loss per share from was reported at (5.21) cents (2020: (51.08) cents).
- Headline loss per share from was reported at (2.10) cents (2020: (49.42) cents).

## POST YEAR-END PERFOMANCE

Revenue that was reported for the 1st month of the 2022 financial year was lower than budget. The 3rd wave of COVID 19 had an impact in revenue in both South Africa and in Australia. Management's focus has been keeping up to date with daily government and medical expert advice, whilst simultaneously working with doctors and all other stakeholders, as well as ensuring that our facilities remained as safe as possible all the time.
The COVID 19 Delta strain has resulted in a reduction in patient numbers in July 2021 due to patient cancellations. Management expects that the same trends as last year where the cancelled cases will cause a backlog in surgeries in the upcoming months.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

| | Note | Reviewed 2021 R'000 | Audited 2020 R'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current Assets** | | | |
| Property, plant and equipment | 5 | **195 059** | 187 482 |
| Right of use of asset | 6 | **371 617** | 441 226 |
| Investment in associate | 4 | **35 248** | - |
| Goodwill | 7 | **20 983** | 28 958 |
| Intangible assets | 8 | **16 817** | 19 829 |
| Other financial assets | 9 | **26 756** | 41 937 |
| Deferred taxation | | **45 349** | 45 332 |
| | | **711 829** | **764 764** |
| **Current assets** | | | |
| Inventories | | **19 105** | 15 153 |
| Trade and other receivables | 10 | **69 219** | 34 781 |
| Current tax receivable | | **23** | 1 070 |
| Cash and cash equivalents | 11 | **107 218** | 59 777 |
| **Assets of disposal groups** | 3 | **18 874** | **202 705** |
| | | **214 439** | **313 486** |
| **Total assets** | | **926 268** | **1 078 250** |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Stated capital | 12 | **271 377** | 221 956 |
| Accumulated loss | | **(255 270)** | (237 150) |
| Foreign currency translation reserve | | **37 090** | 52 640 |
| Share-based payment reserve | | **1 283** | 1 283 |
| **Equity attributable to equity holders of parent** | | **54 480** | **38 729** |
| Non-controlling interest | 13 | **125 261** | 115 629 |
| **Total equity** | | **179 741** | **154 358** |
| **Non-current liabilities** | | | |
| Borrowings | 14 | **147 575** | 150 792 |
| Lease liabilities | 6 | **399 463** | 437 125 |
| Provisions | | **1 100** | 1 004 |
| | | **548 138** | **588 921** |
| **Current liabilities** | | | |
| Trade and other payables | 15 | **59 218** | 62 070 |
| Borrowings | 14 | **45 005** | 30 837 |
| Lease liabilities | 6 | **32 401** | 30 549 |
| Provisions | 16 | **12 794** | 9 975 |
| Current tax payable | | **16 167** | 1 651 |
| Bank overdraft | 11 | **11 417** | 3 126 |
| **Liabilities of disposal groups** | 3 | **21 387** | **196 763** |
| | | **198 389** | **334 971** |
| **Total equity and liabilities** | | **926 268** | **1 078 250** |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

| | Note | Reviewed 2021 R'000 | Audited 2020 R'000 |
|---|---|---|---|
| Revenue | 17 | **680 675** | 476 220 |
| Cost of sales | 18 | **(348 408)** | (261 629) |
| **Gross profit** | | **332 267** | **214 591** |
| Other income | | **19 250** | 20 786 |
| Movement in credit loss allowance | | **(446)** | (3 968) |
| Other operating expenses | | **(188 455)** | (180 911) |
| **EBITDA*** | 17 | **162 616** | **54 466** |
| Investment income | | **886** | 1 800 |
| Depreciation and amortisation | | **(66 833)** | (71 469) |
| Share of the profit from equity accounted investments | 4 | **5 114** | - |
| Impairment loss | 21 | **(9 889)** | (4 743) |
| Finance costs | 19 | **(67 543)** | (74 162) |
| **Profit/(Loss) before taxation** | | **24 351** | **(94 108)** |
| Taxation | 20 | **(23 775)** | (39 733) |
| **Profit/(Loss) for the year** | | **576** | **(133 841)** |
| **Profit/(Loss) for the year** | 21 | **576** | **(133 841)** |
| Other comprehensive income/ (expense) net of tax | 21 | **(21 950)** | 31 240 |
| **Total comprehensive loss for the year** | | **(21 374)** | **(102 601)** |
| **Loss attributable to:** | | | |
| Owners of the parent | | **(17 754)** | (147 107) |
| Non-controlling interest | | **18 330** | 13 266 |
| | | **576** | **(133 841)** |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the parent | | **(33 304)** | (126 575) |
| Non-controlling interest | | **11 930** | 23 974 |
| | | **(21 374)** | **(102 601)** |
| **Earnings per share information:** | | | |
| **Loss and basic (loss) per share (cents)** | | | |
| From continuing operations | 22 | **(5,21)** | (51.08) |
| | | | - |

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

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

| | Net stated capital | Share based payment reserve | Foreign currency translation reserve | Accumulated loss | Attributable to equity holders of the parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **Audited Balance at 30 June 2019** | **221 956** | **1 283** | **32 108** | **(109 529)** | **145,818** | **64 142** | **209 960** |
| Loss for the year | - | - | - | (147 107) | **(147 107)** | 13 266 | (133 841) |
| Other comprehensive loss | - | - | 20 532 | - | **20 532** | 10 708 | 31 240 |
| **Total comprehensive loss for the year** | | | **20 532** | **(147 107)** | **(126 575)** | **23 974** | **(102 601** |
| Change in interest in subsidiary** | - | - | - | (612) | **(612)** | 612 | - |
| Change in ownership interest | - | - | - | 20 098 | **20 098** | 36 841 | 56 939 |
| Dividends * | - | - | - | | | (10 187) | (10 187) |
| Issue of shares | - | - | - | - | | 247 | 247 |
| **Audited Balance at 30 June 2020** | **221 956** | **1 283** | **52 640** | **(237 150)** | **38 729** | **115 629** | **154 358** |
| Profit for the year | - | - | - | (17 754) | **(17 754)** | 18 330 | 576 |
| Other comprehensive loss | - | - | (15 550) | - | **(15 550)** | (6 400) | (21 950) |
| **Total comprehensive loss for the year** | | | **(15 550)** | **(17 754)** | **(33 304)** | **11 930** | **(21 374)** |
| Issue of shares | 49 421 | - | - | - | **49 421** | | 49 421 |
| Change in ownership interest$ | | | | (366) | **(366)** | 8 356 | 7 990 |
| Dividends * | - | - | - | - | **-** | (10 654) | (10 654) |
| **Reviewed balance as at 30 June 2021** | **271 377** | **1 283** | **37 090** | **(255 270)** | **54 480** | **125 261** | **179 741** |
| **Notes** | **12** | | | | | **13** | |

** Dividends were declared by the Subsidiaries of the Group amounting to R10,7 million (2020: R10,2million).*

*** The amount relates to shares that have been sold to doctors in the Doctors Investment companies.*

*$ Refer to note 13 for details*

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

| | Note | Reviewed 2021 R'000 | *Audited 2020 R'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 11 | **111 752** | 77 562 |
| Investment income | | **886** | 1 800 |
| Taxation paid | | **(7 834)** | (10 731) |
| **Net cash inflow/ (outflow) from operating activities** | | **104 804** | **68 631** |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | 5 | **(12 332)** | (18 203) |
| Proceeds on the sale of property, plant and equipment | 5 | **85** | 2 682 |
| Acquisition of intangible assets | | **-** | (509) |
| Sale of Vergelegen | | **16 475** | - |
| Acquisition of Metwest associate | 4 | **(15 725)** | - |
| Net movement in financial assets | 9 | **(5 122)** | (3 402) |
| **Net cash outflow from investing activities** | | **(16 619)** | **(19 432)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | 12 | **49 421** | 247 |
| Proceeds from borrowings | 14 | **20 000** | 34 640 |
| Capital repayment of borrowings | 14 | **(29 519)** | (46 561) |
| Finance costs repayment on borrowings | | **(7 537)** | (9 967) |
| Sale of 25.1% shareholding in Presmed Australia | 13 | **-** | 56 939 |
| Dividends paid | | **(10 654)** | (10 187) |
| Finance costs repayment on lease liabilities | | **(49 214)** | (41 502) |
| Capital repayment of lease liabilities | 6 | **(16 013)** | (17 503) |
| **Net cash (outflow)/ inflow from financing activities** | | **(43 516)** | **(33 894)** |
| Net increase/ (decrease) in cash and cash equivalents | | **44 669** | 15 305 |
| Cash and cash equivalents at beginning of year | | **56 651** | 33 967 |
| Cash and Cash equivalents of disposal group | 3 | **1 686** | (1 690) |
| Effect of foreign currency translation | | **(7 205)** | 9 069 |
| **Cash and cash equivalents at end of year** | 11 | **95 801** | **56 651** |

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

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The reviewed condensed 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. 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 Financial Pronouncements as issued by the Financial Reporting Standards Council 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 consolidated financial statements 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 condensed consolidated financial statements have been prepared under the supervision of SC Chonco in her capacity as the Chief Financial Officer.

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 paragraph included relating to the material uncertainty on Going Concern (refer below). The review report is available for inspection at the Group's registered office.

The board of directors of Advanced take full responsibility for the preparation of the reviewed condensed consolidated financial statements for the year ended 30 June 2021.

The reviewed condensed consolidated financial statements for the year were authorised for issue by the board of directors on 24 August 2021.

**Going concern**

Advanced Health draws attention to the fact that at 30 June 2021, the Group had accumulated losses of R255.3 million (2020: R237.2 million) after a profit of R0.6 million (2020: loss of R133.8 million). The Group's current ratio is 1.1:1 (2020: 0.8:1).

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 continuous improvement of operations, generation of positive cash flows and the ability of management to successfully manage COVID 19 effects.

## 2. SEGMENTAL REPORTING

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by management 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".

| | Reviewed 2021 R'000 | Audited 2020 R'000 |
|---|---|---|
| **Revenue** | **680 675** | **476 220** |
| South Africa | 229 525 | 176 965 |
| Australia | 451 150 | 299 255 |
| **Interest income** | **886** | **1 800** |
| South Africa | 192 | 573 |
| Australia | 694 | 743 |
| Corporate | - | 484 |
| **Interest expense** | **67 544** | **74 162** |
| South Africa | 45 317 | 49 001 |
| Australia | 14 575 | 14 355 |
| Corporate | 7 652 | 10 806 |
| **Depreciation, amortisation & impairment** | **76 722** | **76 212** |
| South Africa | 36 462 | 45 063 |
| Australia | 39 656 | 30 544 |
| Corporate | 604 | 605 |
| **Profit/(Loss) for the year** | **576** | **(133 841)** |
| South Africa | **(47 680)** | (132 365) |
| Australia | **62 514** | 14 354 |
| Corporate | **(14 258)** | (15 830) |
| **Segment assets** | **926 268** | **1 078 250** |
| South Africa | 361 896 | 538 609 |
| Australia | 557 804 | 533 945 |
| Corporate | 6 568 | 5 696 |
| **Segment liabilities** | **746 526** | **923 892** |
| South Africa | 307 000 | 473 549 |
| Australia | 337 356 | 353 238 |
| Corporate | 102 170 | 97 105 |

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.

## 3. DISPOSAL GROUPS

In the prior year the directors of the Group decided to dispose of four subsidiaries. The assets and liabilities attributable to these subsidiaries were classified as a disposal group as at 30 June 2020 and presented separately in the statement of financial position as disposal was expected to occur within 12 months. One facility (Advanced Vergelegen Surgical Centre Proprietary Limited) was sold during the year under review. Soweto Day Hospital Proprietary Limited is in the process of being liquidated and is still classified as a disposal group. The results of Advanced Harbour Bay Surgical Centre Proprietary Limited and Advanced East Rand Day hospital improved during the year under review and the intention is no longer to sell these facilities. Accordingly, the assets and liabilities of these entities were reclassified as they no longer form part of a disposal group.

| | Reviewed 2021 R'000 | Other Movements during the year | Reclassification To operating assets | #Sale of Vergelegen | Audited 2020 R'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 9 189 | (1) | (25 213) | (11 714) | 46 117 |
| Right of use of asset | 8 159 | (22 378) | (73 998) | (31 441) | 135 976 |
| Intangible assets | - | (2 236) | (3 524) | (2 285) | 8 045 |
| Deferred taxation | - | (738) | (766) | (284) | 1 788 |
| Inventories | 503 | (177) | (1 521) | (948) | 3 149 |
| Trade and other receivables | 1 021 | (379) | (2 972) | (1 569) | 5 940 |
| Cash and Cash equivalents | 3 | (1) | (1 684) | (2) | 1 690 |
| **Assets of disposal Groups** | **18 874** | **(25 910)** | **(109 678)** | **(48 245)** | **202 705** |
| | | | | | |
| **Liabilities** | | | | | |
| Borrowings | 4 810 | (8 395) | (9 926) | (4 144) | 27 275 |
| Lease Liability | 14 845 | (21 914) | (81 035) | (37 254) | 155 048 |
| Trade and other payables | 1 729 | (1 868) | (7 620) | (2 439) | 13 656 |
| Tax payable | 3 | (781) | - | - | 784 |
| **Liabilities of disposal Groups** | **21 387** | **(32 958)** | **(98 581)** | **(43 837)** | **196 763** |

The other movements consist of transactions that happened in Soweto Day Hospital Proprietary Limited during the year, including a lease modification that resulted in a reduction of the ROU asset and lease liability by R22.4million. A trading licence valued at R2.2million which was previously reported under intangible assets was impaired during the year.

#. In terms of the sales agreement, all property, plant and equipment, intangible assets and lease rights and liabilities were sold for R16.4million. The now dormant legal entity still forms part of the group.

## 4. INVESTMENT IN ASSOCIATE

During the year PMA increased their shareholding in Metwest by 19% resulting in a total holding of 38%. The investment in Metwest was previously carried at fair value. After acquiring the additional shares the group has significant influence over Metwest as defined in IAS28 and accordingly the investment is accounted for as an investment in an associate using the equity method.

| | Reviewed 2021 R'000 |
|---|---|
| Balance at the beginning of the period | - |
| Purchase of additional 19%. | 15 728 |
| Reclassification of investment previously accounted under IFRS 9 | 14 406 |
| Equity accounts profits. | 5 114 |
| **Balance at the end of the period** | **35 248** |

## 5. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred costs amounting to R12.3 million (2020: R18.2 million) for capital expenditure, a total of R9.5million (2020: R4.7 million) was incurred in Australia while R2.8 million (2020: R13.5 million) related to South Africa. Property, plant and equipment valued at R25.2million that was previously reported as part of the disposal groups was reclassified to PPE in the current year.

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The group reviewed its lease contracts in March 2021. The majority of the group's facilities have a fixed 10 year lease period with a further 10 year extension option. The 10 year extension option was taken into account in the initial calculation of lease liabilities and right of use assets when IFRS16 became effective as it was reasonably certain that the entity would exercise this option at the end of the lease.

The directors no longer consider it reasonably certain that the entity will exercise some of the extension options on certain entities and accordingly the lease terms were amended. The change of the lease term resulted in a decrease of R92.8million of both right of use assets and lease liabilities.

IFRS 16 was amended to provide a practical expedient for lessee accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic. Advanced applied the practical expedient to all rent concessions that satisfied the criteria, the impact of this approach was immaterial.

## 7. GOODWILL

As at 30 June 2021, management decided to impair the full goodwill amounting to R5.7million (2020: R4.7 million for De la vie) relating to the Medgate cash generating unit as the recoverable amount was less than the carrying amount. Medgate performed substantially worse than forecasted in the year under review. Based on revised forecasts the company would only start generating profits in the 2025 financial year. The factors listed above triggered the impairment.

## 8. INTANGIBLE ASSETS

The trading licence for Soweto Private Hospital Proprietary Limited to a value of R2.2m was impaired in the current year as management's intention was to liquidate this business as at 30 June 2021.

## 9. OTHER FINANCIAL ASSETS

The significant decrease year on year primarily resulted due to the reclassification of the investment in Metwest to Investment in associates – Refer note 4 for additional details. The investment in Metwest was reflected in other financial assets in the prior year at a value of R15.9million.

## 10. TRADE AND OTHER RECEIVABLES

Trade and other receivables increased by R34.4million when compared to prior year. The increase was mainly driven by the following:

- A reclassification of debtors of R5.9m that were reported under disposal groups in the prior year.
- an increase of R2.3m in trade debtors within the South African operations driven by higher revenue when compared to prior year.
- an increase of R8.7m in trade debtors within the Australia operations driven by higher revenue when compared to prior year.
- A deposit of R15.2million made to Devonport Eye Hospital Pty Ltd and Clearvis Pty Ltd relating to the purchase of a combined 20% interest in these hospitals. Refer to note 24 for further details.

## 11. CASH AND CASH EQUIVALENTS

There has been an increase in cash and cash equivalents compared to the year ended 30 June 2021 mainly as a result of the share issue in April 2021 through which cash of R49.4million was generated. Also boosting the cash flows was cash inflow of R16million that was received from the disposal of Vergelegen. Cash generated from operations increased when compared to prior periods mainly as a result of higher revenue.

## 12. SHARE CAPITAL

On 15 March 2021 the company invited its shareholders to subscribe to a rights issue of 279 416 667 ordinary shares at an issue price of 24 cents per share on the basis of 97.02357 shares for every 100 ordinary shares held. 210 796 147 ordinary shares were issued to the value of R50.6million, with issue costs of R1.2million incurred.

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**13. NON-CONTROLLING INTEREST**

During the year ended the 30 June 2021 a portion of the loans held in PMA were converted into PMA ordinary shares. A total loan amount of AUD674 970 was converted to 24 607 PMA ordinary shares, issued at a share price of AUD27.43 per PMA share. The conversion diluted Advanced Health's current shareholding in PMA from 61.41% to 59.66%, a deemed disposal of 1.75% ("Deemed Disposal"). The share of profits by minorities was therefore increased by 1.75%

**14. BORROWINGS**

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

- Reclassification of assets and liabilities of disposal groups that were reported under IFRS 5 held for sale in the prior year of R22.4million.
- Conversion of loans to PMA ordinary shares of R8.0million, refer to note 13 above for further details.
- Settlement of the ABSA loan that was owed by Vergelegen of R5.0 million

**15. TRADE AND OTHER PAYABLES**

Trade and other payables decreased compared to the year ended 30 June 2020. An improved cash flow situation in South Africa has assisted in reducing the trade creditors balance that had accumulated over time.

**16. PROVISIONS**

During the year ended 30 June 2021 provisions increased by R2.9million when compared to the prior year the movement can be explained as follows:

| | Reviewed 2021 R'000 | Audited 2020 R'000 |
|---|---|---|
| | | |
| **Non-current** | **1,000** | 1,004 |
| Provision for long service leave | **1,100** | 803 |
| Provision for time in lieu | **-** | 201 |
| | | |
| **Current** | **12,795** | 9,976 |
| Provision employment oncost | **3,788** | 3,758 |
| Provision for long service leave | **2,121** | 2,383 |
| Provision for profit participation | **6,886** | 3,671 |
| Provision for time in lieu | **-** | 163 |
| | | |

Provision for time in lieu was reclassified to trade and other payables.

**17. REVENUE**

For both South Africa and Australia, revenue was higher when compared to prior year. Group revenue increased by 43% when compared to prior year, from R476.2m that was reported in 2020 to R680.7m in 2021 financial year.

| | | |
|---|---|---|
| **Rendering of services** | | |
| Included in revenue from contracts with patients: | | |
| Theatre/accommodation fees/ facility fees | 576,872 | 392,012 |
| Equipment and fixed fees | 12,794 | 21,384 |
| | **589,666** | **413,396** |
| **Sale of goods** | | |
| Included in revenue from sale of goods to patients: | | |
| Drug revenue and gases | **91,293** | **62,824** |
| **Total revenue** | **680,959** | **476,220** |

**18. COST OF SALES**

The improvement in case mix resulted in the gross profit percentage increasing from 45% in 2020 to 49% in 2021.

## 19. Finance costs

| | Reviewed 2021 R | Audited 2020 R |
|---|---|---|
| Financial liabilities | 18,329 | 22,764 |
| Lease liabilities | 49 214 | 51,398 |
| | 67,543 | 74,162 |

## 20. TAXATION

The effective rate in the current year was 97.63% compared to a negative 42.22% that was reported in the prior year. The negative effective tax rate in the prior year resulted from the impairment of deferred tax assets that were previously recognised. No deferred tax assets are recognised on tax losses for entities where taxable profits is uncertain over the next 5 years. This results in the effective tax rate being significant higher than the income tax rates in South Africa and Australia.

## 21. PROFIT/(LOSS) FOR THE YEAR

The Group reported a profit before tax of R24.4million (2020: Loss of R94.1million) for the year under review. This was driven by an exceptional performance in PMA where the profits increased by more than 100% when compared to the prior year. South Africa operations losses reduced significantly when compared to prior year, driven by growth in revenue and a reduced cost base.

Included in the profit and loss were impairments for the following:

- Impairment of goodwill relating to the acquisition of Medgate – R5.7 million.
- Impairment of other intangible assets relating to the acquisition of Medgate and EDH – R2 million.
- Impairment of EDH and Vergelegen assets – R0.7 million.
- Impairment of deferred tax assets relating to Medgate R2 million, EDH R1 million, East Rand R1 million, Soweto R1 million.
- Impairment of trading licence for Soweto Day Hospital Proprietary Limited – R2.2 million.

## 22. LOSS PER SHARE

Reconciliation between earnings and headline earnings is as follows:

| | Reviewed 2021 R | Audited 2020 R |
|---|---|---|
| **Loss per share** | **(5.21)** | **(51.08)** |
| - From continuing operations | (5.21) | (51.08) |
| **Diluted loss per share** | **(5.21)** | **(51.08)** |
| - From continuing operations | (5.21) | (51.08) |
| **Headline loss per share** | **(2.10)** | **(49.42)** |
| - From continuing operations | (2.10) | (49.42) |
| **Diluted headline loss per share** | **(2.10)** | **(49.42)** |
| - From continuing operations | (2.10) | (49.42) |

| | Reviewed 2021 R'000 | Audited 2020 R'000 |
|---|---|---|
| Loss for the year attributable to equity holders of the parent used in calculating basic earnings per share | (17 754) | (147 107) |
| **IAS 33 earnings** | | |
| Less: IAS 36 impairment | 9 889 | 4 743 |
| Less: IAS 16 loss on the disposal of plant and equipment | 713 | 53 |
| **Loss for the year attributable to equity holders of the parent used in calculating headline earnings per share** | **(7 152)** | **(142 311)** |
| | | |
| **Number of shares in issue (‘000)** | **498 785** | **287 988** |
| **Weighted numbers of shares (‘000)** | **340 687** | **287 988** |

**23. EXCHANGE RATES**

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

| **Rand/Australian Dollar** | **2021** | **2020** |
|---|---|---|
| Closing rate | 10.7778 | 11.9615 |
| Average rate | 11.4873 | 10.4887 |

**24. EVENTS AFTER THE REPORTING DATE**

On 7 July 2021, PMA acquired a 20% interest in the Devonport Eye Hospital Pty Ltd and Clearvis Pty Ltd for a total consideration combined transaction consideration of AUD 1 408 116.

An additional transaction consideration amount will be calculated based on the adjusted EBITDA of Devonport Eye Hospital Pty Ltd and Clearvis Pty Ltd, for the year ending 30 June 2021 and will be determined within three months after the 30 June 2021 financial accounts are finalised. The additional transaction consideration amount is not expected to exceed the initial payment amount.

**25. DIVIDEND DECLARATION**

No dividend is proposed or recommended for the financial year ended 30 June 2021 (2020: Rnil).

**26. CHANGES TO DIRECTORS**

There were no changes in the directors in the current year.

**On behalf of the board**

| | | |
|---|---|---|
| **CA Grillenberger** | **GJ van Emmenis** | **SC Chonco** |
| **Chairman** | **Chief Executive Officer** | **Chief Financial Officer** |
| ***27 August 2021*** | | |

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

**Non-Executive Directors**
CA Grillenberger (Chairman)
FA van Hoogstraten (Lead Independent)
PJ Jaffe #
CJPG van Zyl
Dr WT Mthembu
Dr J Oelofse
YJ Visser
Dr KE Legodi

# Australian

| | |
|---|---|
| **Company Secretary:** | M Janse van Rensburg |
| **Auditors:** | Mazars |
| **Transfer Secretaries:** | JSE Investor Services |

**Date of announcement:** ***27 August 2021***
**Designated Advisor**
Grindrod Bank Limited