



## **ADVANCED HEALTH LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number 2013/059246/06)

("the Group" or "Advanced")

ISIN Code: ZAE000189049      JSE Code: AVL

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### **REVIEWED CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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#### **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).

## 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.

No dividend is proposed or recommended for the financial year ended 30 June 2021.

## Short-form announcement

The contents of the short-form announcement are the responsibility of the Board of Directors of Advanced Health Limited. The information in the short-form announcement is a summary of the full announcement and accordingly does not contain full or complete details. The full announcement is available for inspection at no charge, Monday to Friday, during office hours at the company's registered office, the office of the Designated Advisor and on the Company's website on

<http://www.advancedhealth.co.za/> from 27 August 2021. The full announcement is available on SENS on 27 August 2021 at

<https://senspdf.jse.co.za/documents/2021/jse/isse/AVL/YE2021AVL.pdf>. The information in this announcement has been extracted from the reviewed condensed consolidated financial results, but the short-form announcement itself has not been reviewed by the Company's auditors. Any investment decisions by shareholders/investors should be based on the full announcement released to the JSE and published on the Company's website.

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

#### **CORPORATE INFORMATION**

Advanced Health Limited  
(Incorporated in the Republic of South Africa)  
Registration number: 2013/059246/06  
ISIN: ZAE000189049 JSE Code: AVL

**Registered Address:**  
Building 2, Walker Creek Office Park  
90 Florence Ribeiro Avenue  
Muckleneuk  
0002  
Postnet Suite 668, Private Bag X1  
The Willows, 0041

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#### **Executive directors**

GJ van Emmenis (Chief Executive Officer)  
MC Resnik# (Managing Director Australia)  
D Goss-Ross (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

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

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**Date of announcement: 27 August 2021**

**Designated Advisor**  
Grindrod Bank Limited

