



**ADVANCED HEALTH LIMITED**

(Incorporated in the Republic of South Africa)

(Registration number 2013/059246/06)

("the Company" or "Advanced Health")

ISIN Code: ZAE000189049      JSE Code: AVL

**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

R'000	Unaudited Six months 31 Dec 2016	Unaudited Restated Six months 31 Dec 2015	Audited Year ended 30 June 2016
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>337 254</b>	<b>242 909</b>	<b>329 078</b>
Property, plant and equipment	253 669	182 340	251 317
Goodwill	26 487	28 054	28 561
Intangible assets	29 073	28 881	28 333
Other financial assets	6 391	-	7 789
Deferred taxation	21 634	3 634	13 078
<b>Current assets</b>	<b>87 354</b>	<b>155 475</b>	<b>109 869</b>
Inventories	8 965	6 345	9 093
Trade and other receivables	20 429	22 487	36 970
Other financial assets	5 738	7 354	6 477
Operating lease asset	763	737	2 381
Current tax receivable	1 418	3 094	2 104
Cash and cash equivalents	50 041	115 458	52 844
<b>Total assets</b>	<b>424 608</b>	<b>398 384</b>	<b>438 947</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>	<b>164 622</b>	<b>223 218</b>	<b>199 191</b>
Stated capital	137 378	137 378	137 378
Foreign currency translation reserve	27 898	46 243	40 380
Retained earnings	(6 343)	36 204	16 968
Share-based payment reserve	5 689	3 393	4 465
<b>Non-controlling interest</b>	<b>45 995</b>	<b>48 784</b>	<b>44 300</b>
<b>Total equity</b>	<b>210 617</b>	<b>270 002</b>	<b>243 491</b>

<b>R'000</b>	<b>Unaudited Six months 31 Dec 2016</b>	<b>Unaudited Restated Six months 31 Dec 2015</b>	<b>Audited Year ended 30 June 2016</b>
<b>Non-current liabilities</b>	<b>154 652</b>	<b>72 240</b>	<b>112 660</b>
Other financial liabilities	116 244	65 478	71 169
Finance lease obligations	32 846	381	31 701
Operating lease liability	5 338	1 560	6 947
Provisions	94	2 526	2 013
Deferred taxation	130	2 995	830
<b>Current liabilities</b>	<b>59 339</b>	<b>53 442</b>	<b>82 796</b>
Other financial liabilities	9 603	8 458	9 240
Finance lease obligations	4 366	1 682	7 823
Trade and other payables	29 862	34 959	51 303
Provisions	3 092	2 023	3 688
Operating lease liabilities	3 696	-	1 175
Current tax payable	8 720	6 320	9 567
<b>Total equity and liabilities</b>	<b>424 608</b>	<b>398 384</b>	<b>438 947</b>

#### Notes to statement of financial position

Total number of shares in issue ('000)	221 615	221 615	221 615
Net asset value per share (cents)	95.04	122.00	109.87
Net tangible asset value per share (cents)	69.97	96.31	84.20

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>R'000</b>	<b>Unaudited Six months 31 Dec 2016</b>	<b>Unaudited Six months 31 Dec 2015</b>	<b>Audited Year ended 30 June 2016</b>
Revenue	149 751	103 563	241 192
Cost of sales	(74 651)	(47 266)	(118 430)
<b>Gross profit</b>	<b>75 100</b>	<b>56 297</b>	<b>122 762</b>
EBITDA (earnings before interest, impairment, tax, depreciation and amortisation)	(13 127)	7 719	(4 428)
Investment income	290	2 107	2 881
Depreciation and amortisation	(12 636)	(5 461)	(16 152)
Net finance costs	(6 255)	(916)	(4 531)
<b>(Loss) / Profit before taxation</b>	<b>(31 728)</b>	<b>3 449</b>	<b>(22 230)</b>
Taxation	9 048	(1 067)	6 501
<b>(Loss) / Profit for the period</b>	<b>(22 680)</b>	<b>2 382</b>	<b>(15 729)</b>
Other comprehensive (expense) / income for the period, net of tax	(13 202)	24 411	14 506
<b>Total comprehensive (loss) / income for the period</b>	<b>(35 882)</b>	<b>26 793</b>	<b>(1 223)</b>
(Loss) / Profit attributable to:			
Owners of the parent	(23 311)	925	(18 311)
Non-controlling interest	631	1 457	2 582

Total comprehensive (loss) / income attributable to:			
Owners of the parent	(35 793)	19 935	(5 164)
Non-controlling interest	(89)	6 858	3 941

**Per share information:**

Earnings per share (cents)	(10.52)	0.42	(8.26)
Diluted earnings per share (cents)	(10.52)	0.42	(8.25)

**Notes to the statement of comprehensive income**

**Headline (loss) / earnings for the period attributable to ordinary shareholders:**

Headline (loss) / earnings per share (cents)	(10.52)	0.51	(8.02)
Diluted headline (loss) / earnings per share (cents)	(10.52)	0.51	(8.00)
- Total number of shares in issue ('000)	221 615	221 615	221 615
- Weighted average number of shares ('000)	221 615	222 164	221 983
Reconciliation of headline earnings calculation:			
(Loss) / Earnings for the period attributable to ordinary shareholders	(23 311)	925	(18 311)
Net fair value gain on Investment properties	-	-	-
(Profit) / Loss on sale property, plant and equipment	(8)	403	1 181
Tax effects of adjustments	2	(121)	(375)
Non-controlling-interest effects of adjustments	-	(79)	(262)
<b>Headline (loss) / earnings for the period attributable to ordinary shareholders</b>	<b>(23 317)</b>	<b>1 128</b>	<b>(17 767)</b>

**ABRIDGED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**

<b>R'000</b>	<b>Unaudited Six months 31 Dec 2016</b>	<b>Unaudited Six months 31 Dec 2015</b>	<b>Audited Year ended 30 June 2016</b>
Net cash flows (used in) / from operating activities	(22 071)	18 589	4 334
Net cash flows (used in) / from investing activities	(29 352)	(96 610)	(135 743)
Net cash flows from financing activities	52 112	66 719	62 407
Net increase / (decrease) in cash and cash equivalents	689	(11 302)	(69 002)
Cash and cash equivalents at beginning of period	52 844	115 274	115 274
Effect of foreign difference on cash	(3 492)	11 486	6 572
<b>Cash and cash equivalents at end of period</b>	<b>50 041</b>	<b>115 458</b>	<b>52 844</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Net stated capital	Share based payment reserve	Foreign currency translation reserve	Retained earnings (restated)	Non- controlling interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Balance at 1 July 2015</b>	<b>137 378</b>	<b>2 323</b>	<b>27 233</b>	<b>40 567</b>	<b>19 562</b>	<b>227 063</b>
Profit for the period	-	-	-	925	1 457	2 382
Other comprehensive income for the period	-	-	19 010	-	5 401	24 411
Share-based payment expense	-	1 070	-	-	-	1 070
Share buy back	-	-	-	-	(936)	(936)
Change in subsidiary interest	-	-	-	(5 288)	5 288	-
Issue of shares in subsidiary	-	-	-	-	18 012	18 012
<b>Balance at 31 December 2015</b>	<b>137 378</b>	<b>3 393</b>	<b>46 243</b>	<b>36 204</b>	<b>48 784</b>	<b>270 002</b>
Loss for the period	-	-	-	(19 236)	1 125	(18 111)
Other comprehensive income for the period	-	-	(5 863)	-	(4 042)	(9 905)
Share-based payment expense	-	1 072	-	-	-	1 072
Dividends	-	-	-	-	(1 567)	(1 567)
<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>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### BASIS OF PREPARATION

The unaudited condensed consolidated results for the period ended 31 December 2016 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 under review.

The unaudited condensed consolidated results for the period ended 31 December 2016 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 21 February 2017 and have not been reviewed or audited by the Group's external auditors Mazars (Gauteng) Inc.

## STATED CAPITAL

The issued stated capital of Advanced Health is 221 614 801 shares amounting to R225 377 305 (December 2015: 221 614 801 amounting to R218 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 2015	221 615	225 845	(88 000)	137 378
Balance as at 31 December 2016	<b>221 615</b>	<b>225 845</b>	<b>(88 000)</b>	<b>137 378</b>

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

## SEGMENTAL REPORTING

### Geographical Information

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

	Unaudited Six months 31-Dec-16 R'000	Unaudited Six months 31-Dec-15 R'000	Audited Year ended 30-June-16 R'000
<b>REVENUE</b>	<b>149 751</b>	<b>103 563</b>	<b>241 192</b>
South Africa	39 082	12 331	39 579
Australia	109 944	88 914	200 740
Corporate	725	2 318	873
<b>INTEREST INCOME</b>	<b>290</b>	<b>2 107</b>	<b>2 881</b>
South Africa	88	11	98
Australia	123	207	414
Corporate	79	1 889	2 369
<b>INTEREST EXPENSE</b>	<b>6 255</b>	<b>916</b>	<b>4 531</b>
South Africa	3 097	72	1 886
Australia	733	285	2 645
Corporate	2 425	559	-
<b>DEPRECIATION &amp; AMORTISATION</b>	<b>12 636</b>	<b>5 461</b>	<b>16 152</b>
South Africa	6 704	1 633	6 118
Australia	5 786	3 378	8 988
Corporate	146	450	1 046
<b>LOSS/PROFIT FOR THE PERIOD</b>	<b>(22 680)</b>	<b>2 382</b>	<b>(15 729)</b>
South Africa	(17 708)	(1 355)	(20 498)
Australia	12 914	7 247	5 736
Corporate	(17 886)	(3 510)	(967)

<b>SEGMENT ASSETS</b>	<b>424 608</b>	<b>398 384</b>	<b>438 947</b>
South Africa	211 828	94 793	214 497
Australia	192 257	198 817	222 815
Corporate	20 523	104 774	1 635
<b>SEGMENT LIABILITIES</b>	<b>213 991</b>	<b>125 682</b>	<b>195 454</b>
South Africa	130 117	26 978	100 814
Australia	79 351	68 500	94 056
Corporate	4 523	30 204	584

The revenue from external parties and all other items of income, expenses, profits and losses reported in the segment report are measured in a manner consistent with that in the statement of comprehensive income.

#### **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.

Financial liabilities increased due to loans from financial institutions in both Australia and South Africa for the procurement of fixed assets.

#### **RELATED PARTIES**

During the six months ended 31 December 2016, 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.

#### **RESTATEMENT OF THE RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2015**

Shareholders are referred to the restatement of results for the year ended 31 June 2015 announcement that was released on SENS on 15 April 2016. The nature of the restatement related to the accounting method used for investment property reflected under non-current assets held for sale, which included transaction costs to dispose of the investment property, which is not in accordance with the requirements of IFRS 5. The transaction costs for the year ended 30 June 2015 amounted to R2,3 million before taxation and R1,6 million after taxation. The net fair value gain on investment properties was thus understated. As a result, the 31 December 2015 condensed consolidated statement of financial position and statement of changes in equity was adjusted to incorporate the restatement of retained earnings.

#### **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 2016</b>	<b>31 Dec 2015</b>	<b>30 Jun 2016</b>
Closing rate	9.8617	11.2391	11.1343
Average rate	10.5586	9.8331	10.5601

#### **INVESTOR PRESENTATION**

There will be an investor presentation on 22 February 2017 and the presentation will be available on the Company's website, hosted at [www.advancedhealth.co.za](http://www.advancedhealth.co.za).

#### **COMMENTARY HIGHLIGHTS**

- Opening eight new day hospitals in South Africa, bringing the total to ten.
- The completion of the largest ophthalmic and ENT day hospital in Australia.

- Revenue increased by 45% to R149,7 million (2015: R103,6 million) .

## **INTRODUCTION**

The Advanced Health philosophy tracks the changes in the global hospitalisation industry, notably a move to compact and custom-designed short-procedure facilities, accelerated by technological advances in key-hole surgery and ever-more refined anaesthesiological techniques. The market potential is a 50:50 ratio between ambulatory surgical centres and private acute hospitals, as is the case in the USA. In South Africa, the ratio is now only moving towards 30:70.

## **FINANCIAL RESULTS**

Key performance indicators aptly reflect the strong growth in new facilities, which require up to 36 months to achieve profitability. Eight South African facilities are still in ramp-up, as are the new and merged facilities in Australia. Revenue and patient numbers have increased in both operating regions and in South Africa steps have been taken to expedite the achievement of capacity and profit. Australian operations contributed some 74% of income in the first six months of the year (2015: 86%), again narrowing the gap towards the planned target of equal income from both regions.

## **OVERVIEW**

PresMed Australia, in which Advanced Health holds a 94.65% interest, achieved its objectives of stabilising the business following the opening in January 2016 of the largest ophthalmic and ENT day hospital in Australia, the Chatswood Private Hospital, and the merger of the Sydney ENT Day Surgery Centre with the Ophthalmic Surgery Centre into Chatswood. The other facilities – the Central Coast Surgery Centre and Epping Surgery Centre – continue to perform to expectations.

In South Africa, the business achieved its first growth objective, namely to manage ten day hospitals. This first phase of growth provides the company with a base for further growth. In the next twelve months, the focus will remain on increasing utilisation and the marketing team has been strengthened to expedite the achievement of optimum utilisation in all units. January figures show a marked increase in utilisation, attributed to increasing support from medical schemes based on cost and quality considerations. Key succession appointments were made and key management has been strengthened to ensure optimum results in the ten hospitals situated in three regions:

- Advanced Groenkloof Day Hospital in Pretoria;
- Advanced Soweto Eye Day Hospital in Soweto;
- Advanced Medgate Day Hospital in Roodepoort;
- Advanced Durbanville Surgical Centre in Cape Town;
- Advanced Panorama Surgical Centre in Cape Town;
- Advanced Worcester Surgical Centre in the Worcester;
- Advanced Knysna Surgical Centre in Knysna;
- Advanced Vergelegen Surgical Centre in Somerset West;
- Advanced eMalahleni Day Hospital in eMalahleni; and
- Advanced De la Vie in eMalahleni.

The success of the Advanced Health business model is based on strong day-hospital teams and partnerships with participating medical practitioners to ensure that medical and quality objectives are met. These teams are supported by an expert central team to ensure effective management, staffing and shared services such as information technology, marketing and administration. Properties are developed and owned by property developers, and tenure secured through long-term lease agreements with Advanced Health.

## **DIVIDEND DECLARATION**

No dividend is proposed or recommended for the six-month period ended 31 December 2016.

## PROSPECTS

Advanced Health has completed its first phase of growth. During 2017, the group will focus on achieving stability in new facilities and gearing for the second phase, namely to grow South Africa to 20 day-hospitals and six in Australia by 2020. The board approved a capital raising of R200 million through a rights issue together with a BEE consortium investment that includes supporting doctors. The capital raising is planned for implementation during the second quarter of 2017.

The business model remains to provide a network of independent, quality and cost-effective day-hospitals, to the benefit of patients, doctors and medical schemes. The execution of this model is supported by substantive commitments to day hospital utilisation from a growing number of medical schemes. This change in mind-shift is also evident amongst specialists and patients as many schemes now openly communicate their support of day hospitals as a means of achieving savings without sacrifice to quality. In some instances, patients carry no co-payments for surgery performed in a day hospital. Advanced Health will continue to lobby the medical-scheme industry, in association with other independents, for an even greater recognition of day hospitals as preferred providers.

Investors 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.

## On behalf of the board

**FA van Hoogstraten**  
**Chairman**  
**22 February 2017**

**CA Grillenberger**  
**Chief Executive Officer**

**CP Snyman**  
**Chief Financial Officer**

## CORPORATE INFORMATION

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

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

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### Executive directors

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

### Non-Executive Directors

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

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# Australian

**Company Secretary:** M Janse van Rensburg  
**Auditors:** Mazars (Gauteng) Inc.  
**Transfer Secretaries:** Trifecta Capital Services Proprietary Limited

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**Designated Advisor**  
Grindrod Bank Limited

