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 2020

INTRODUCTION

Shareholders are referred to the various cautionary announcements released on SENS on 27 July 2020, 17 August 2020 and 23 September 2020 respectively, which provided information regarding the restructuring process that Advanced embarked on in order to simplify the group structure, reduce operational and overhead costs and to inject the necessary cash resources to ensure the continued solvency and liquidity of Advanced and the subsidiaries for the foreseeable future, to provide context to the following disclosures.

Sale of four South African Subsidiaries

During the 2020 financial year and as part of the restructuring process, the board of directors of the Group has taken the decision to dispose of four of the subsidiaries within the South African Group, as detailed in note 4 to the reviewed condensed consolidated annual financial statements for the year ended 30 June 2020. The assets and liabilities attributable to these subsidiaries have been classified as a disposal group as at 30 June 2020 and are presented separately in the statement of financial position. Disposal is expected to occur within the next 12 months and the Group has been receiving offers from different parties.

Post Balance Sheet Events

Furthermore, in August 2020, the Group received an offer and entered into discussions with a third party, in respect of the remaining facilities within the South African Group, that are not held as a disposal group. The offer received is for R170.0 million, excluding deferred consideration, in respect of the remaining facilities within South Africa.

Impact of COVID-19

COVID-19 had an impact on the results for the fourth quarter (Q4) of the 2020 financial year. The effect for Q4 is as follows based on the trend from the 2019 financial year:

- Advanced Health South Africa – Loss of Revenue R24.4 million, effect on loss and cashflow amounts to R15.7 million.
- Presmed Australia – Loss of Revenue AUD4 million (R42.0 million), effect on loss and cashflow amounts to AUD2.7 million (R28.3 million).

FINANCIAL RESULTS

- Revenue decreased to R476.2 million (2019: R481.7 million).
- EBITDA improved to R54.5 million (2019: R17.6 million).
- Taxation increased to R39.7 million (expense) (2019: income R7.8 million).
- Loss for the year increased to R133.8 million (2019: R38.0 million).
- Basic loss per share from both continuing and discontinued operations increased to 51.08 cents (2019: 15.51 cents).
- Headline loss per share from both continuing and discontinued operations increased to 49.42 cents (2019: 10.84 cents).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

R'000	Note	Reviewed Year ended 30 June 2020	Audited Year ended 30 June 2019
ASSETS			
Non-current assets		**764 764**	**424 655**
Property, plant and equipment	5	218 805	259 599
Right of use of asset	2	409 903	-
Goodwill	6	28 958	29 669
Intangible assets	7	19 829	30 777
Operating lease asset	8	-	476
Other financial assets	9	41 937	28 285
Deferred taxation	10	45 332	75 849
Current assets		**110 781**	**106 544**
Inventories		15 153	14 442
Trade and other receivables		34 781	37 763
Operating lease asset	8	-	3 682
Other financial assets	9	-	5 268
Current tax receivable		1 070	144
Cash and cash equivalents	11	59 777	45 245
Assets of disposal groups	**4**	**202 705**	**-**
Total assets		**1 078 250**	**531 199**
EQUITY AND LIABILITIES			
Capital and reserves		**38 729**	**145 818**
Stated capital		221 956	221 956
Accumulated loss		(237 150)	(109 529)
Foreign currency translation reserve		52 640	32 108
Share-based payment reserve		1 283	1 283
Non-controlling interest	**12**	**115 629**	**64 142**
Total equity		**154 358**	**209 960**
Non-current liabilities		**588 921**	**216 531**
Other financial liabilities	13	150 792	177 465
Lease liability	2/14	437 125	12 428
Operating lease liability	8	-	25 531
Provisions		1 004	1 107

R'000	Note	Reviewed Year ended 30 June 2020	Audited Year ended 30 June 2019
Current liabilities		**138 208**	**104 708**
Other financial liabilities	13	30 837	22 706
Lease liability	2/14	30 549	8 422
Trade and other payables	15	62 070	48 941
Provisions		9 975	7 661
Current tax payable		1 651	3 167
Operating lease liabilities	8	-	2 533
Bank overdraft	11	3 126	11 278
Liabilities of disposal groups	**4**	**196 763**	**-**
Total equity and liabilities		**1 078 250**	**531 199**

NOTES TO THE STATEMENT OF FINANCIAL POSITION

Total number of shares in issue ('000)	287 988	287 988
Net asset value per share (cents)	53.60	72.91
Net tangible asset value per share (cents)	36.66	51.92

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

R'000	Note	Reviewed Year ended 30 June 2020	Audited Year ended 30 June 2019
Revenue	17	476 220	481 677
Cost of sales	18	(261 629)	(255 783)**
Gross profit		**214 591**	**225 894**
EBITDA*	2/19	54 466	17 594
Investment income		1 800	901
Depreciation and amortisation	2	(71 469)	(34 477)
Impairment	6	(4 743)	-
Finance costs	2/13	(74 162)	(16 370)
Loss before taxation from continuing operations		**(94 108)**	**(32 352)**
Taxation	20	(39 733)	7 823
Loss for the year from continuing operations	2/21	**(133 841)**	**(24 529)**
Loss from discontinued operations		-	(13 452)
Loss for the year	**2/21**	**(133 841)**	**(37 981)**
Other comprehensive income/ (expense) net of tax		31 240	(3 600)
Total comprehensive loss for the year		**(102 601)**	**(41 581)**

** Earnings before interest, impairment, tax, depreciation and amortisation.*
*** Cost of sales has been reclassified. Refer to note 22 for more detail.*

R'000	Note	Reviewed Year ended 30 June 2020	Audited Year ended 30 June 2019
Loss attributable to:		**(133 841)**	**(37 981)**
Owners of the parent – continuing operations		(147 107)	(31 211)
Owners of the parent – discontinued operations		-	(13 452)
Non-controlling interest		13 266	6 682
Total comprehensive loss attributable to:		**(102 601)**	**(41 581)**
Owners of the parent – continuing operations		(126 575)	(33 466)
Owners of the parent – discontinued operations		-	(13 452)
Non-controlling interest		23 974	5 337
Per share information:			
Loss and diluted loss per share (cents)			
From continuing operations		(51.08)	(10.84)
From discontinued operations		-	(4.67)

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

Headline loss for the year attributable to ordinary shareholders		
Headline and diluted headline loss per share (cents)	(49.42)	(10.84)
- Total number of shares in issue / Weighted number of shares ('000)	287 988	287 988
Reconciliation of headline earnings calculation:		
Loss for the year attributable to ordinary shareholders	**(147 107)**	**(44 663)**
Loss on sale of property, plant and equipment	74	-
Loss on disposal of subsidiary after tax	-	15 513
Impairment of goodwill of De la vie	4 743	-
Tax effects of adjustments	(21)	(2 061)
Headline loss for the year attributable to ordinary shareholders	**(142 311)**	**(31 211)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

R'000	Note	Reviewed Year ended 30 June 2020	Audited Year ended 30 June 2019
Cash flows from operating activities			
Cash generated from operations	11	77 562	15 577
Investment income		1 800	901
Finance cost	13	(9 967)	(10 363)
Taxation paid		(10 731)	(11 854)
Net cash inflow/ (outflow) from operating activities		**58 664**	**(5 739)**
Cash flows from investing activities			
Acquisition of property, plant and equipment	5	(18 203)	(15 814)
Proceeds on the sale of property, plant and equipment		2 682	1 976
Proceeds of disposal of Coffs Harbour Day Hospital		-	512
Acquisition of intangible assets	7	(509)	(1 656)
Financial assets advanced		(3 402)	(16 882)
Net cash outflow from investing activities		**(19 432)**	**(31 864)**
Cash flows from financing activities			
Issue of shares in subsidiary	12	247	8 176
Financial liabilities raised	13	34 640	63 424
Financial liabilities repaid	13	(46 561)	(9 395)
Sale of 25.1% shareholding in Presmed Australia	12	56 939	-
Dividends paid – non-controlling interest	SOCE	(10 187)	(8 346)
Finance costs	2/13	(41 502)	(596)
Lease liability paid	2/14	(17 503)	(21 464)
Net cash (outflow)/ inflow from financing activities		**(23 927)**	**31 799**
Net increase/ (decrease) in cash and cash equivalents		15 305	(5 804)
Cash and cash equivalents at beginning of year		33 967	41 319
Cash and Cash equivalents of disposal group	4	(1 690)	-
Cash and Cash equivalents on date of disposal of Coffs		-	(517)
Effect of foreign currency translation		9 069	(1 031)
Cash and cash equivalents at end of year	**11**	**56 651**	**33 967**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Net stated capital	Share based payment reserve	Foreign currency translation reserve	Accumulated loss	Non-controlling interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000
Audited Balance at 1 July 2018	**221 956**	**1 880**	**34 363**	**(64 368)**	**53 459**	**247 290**
Loss for the year	-	-	-	(44 663)	6 682	(37 981)
Other comprehensive loss	-	-	(2 255)	-	(1 345)	(3 600)
Share-based payment expense	-	306	-	-	-	306
Transfer between reserves	-	(903)	-	903	-	-
Change in interest in subsidiary	-	-	-	(1 401)	893	(508)
Dividends *	-	-	-	-	(8 346)	(8 346)
Issue of shares	-	-	-	-	12 799	12 799
Audited Balance at 30 June 2019	**221 956**	**1 283**	**32 108**	**(109 529)**	**64 142**	**209 960**
Loss for the year	-	-	-	(147 107)	13 266	(133 841)
Other comprehensive income	-	-	20 532	-	10 708	31 240
Dividends *	-	-	-	-	(10 187)	(10 187)
Change in interest of subsidiary**	-	-	-	(612)	612	-
Change in ownership interest	-	-	-	20 098	36 841	56 939
Issue of shares	-	-	-	-	247	247
Balance as at 30 June 2020	**221 956**	**1 283**	**52 640**	**(237 150)**	**115 629**	**154 358**
Notes					12	

** Dividends were declared by the Subsidiaries of the Group amounting to R10,2 million (2019: R8,3 million).*

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

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 except for the effect of the mandatory adoption of IFRS 16 effective for financial periods beginning on or after 1 January 2019. Please refer to the implementation of IFRS 16 below for further information.

The reviewed condensed consolidated financial statements have been prepared under the supervision of SC Chonco in her capacity as 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 included for material uncertainty of Going Concern (refer below), available for inspection at the Company'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 2020.

The reviewed condensed consolidated financial statements for the year were authorised for issue by the board of directors on 23 September 2020.

Going concern

Advanced Health draws attention to the fact that at 30 June 2020, the Group had accumulated losses of R257.2 million (2019: R109.5 million) after incurring a net loss of R133.8 million (2019: R38.0 million). The Group's current ratio is 0.8:1 (2019: 1.02:1).

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 directors procuring funding for the ongoing operations of the Group. In addition to the facilities held for sale, an offer has been received of R170 million, excluding deferred consideration, in respect of the remaining facilities within South Africa. Failing which the Group has the ability to sell a portion of its shareholding in Presmed Australia. A shareholder has committed to provide the Group with an additional loan facility of R20.0 million to bridge any short-term cash shortages until the restructuring is finalised.

2. Implementation of IFRS 16

The Group adopted IFRS 16 from 1 July 2019. Prior to the adoption of IFRS 16, leases were classified as either finance or operating leases. Operating lease payments were charged to profit or loss on a straight-line basis over the period of the lease. From 1 July 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group has elected to apply the modified retrospective approach. Comparative figures were not restated with the cumulative effect of initially applying the standard resulting in an adjustment to right of use asset at the date of initial application.

The Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 July 2019. The incremental borrowing rate applied to the lease liabilities on 1 July 2019 ranges from 5.00% to 12.25% (dependent on geographical location). At the date of initial application, the right of use assets was measured at an amount equal to the remaining lease liabilities.

In applying IFRS 16 for the first time the Group has used the following practical expedients:

- For contracts entered into before the transition date the Group relied on its assessment made in applying IAS 17 and has not reassessed whether a contract is or contains a lease.
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics (taking into account geographical location).
- The exclusion of initial direct costs for the measurement of the right-of-use asset at initial date of initial application.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

As a result of the adoption of IFRS 16 the following was impacted:

Statement of Comprehensive Income for the year ended 30 June 2020

	R'000
Depreciation	35 651
Interest	51 398
Taxation	(10 737)
Rent expense	(48 541)

Impact on Statement of financial position as at 1 July 2019

Right of use asset *	583 835
Lease liabilities	(607 726)

*When the results were reported in December 2019, the operating lease liability as at 30 June 2019 was incorrectly adjusted to the accumulated loss. This was corrected to reduce the right of use asset amount with the operating lease liability as at 30 June 2019

Right of use assets were measured at the carrying value that would have resulted from IFRS 16 being applied, from the date of initial application.

Lease liabilities were measured at the present value of the remaining lease payments discounted at the applicable borrowing rates in the different geographical location. The incremental borrowing rate is the ***rate*** *of* ***interest*** *that a lessee would have to pay to* ***borrow*** *over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use of asset in a similar economic environment.*

In May 2020, the International Accounting Standards Board issued an amendment to IFRS 16 'Leases', dealing specifically with Covid-19 related rent concessions. In line with the practical expedient provided in the amendment, the Group recognised R0.9 million rental relief (recognised under EBITDA line in Statement of Comprehensive Income) relating to rent concessions meeting the conditions specified and occurring as a direct consequence of the Covid-19 pandemic.

3. SEGMENTAL REPORTING

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".

	Reviewed Year ended 30 June 2020	Audited Year ended 30 June 2019
	R'000	R'000
REVENUE	**476 220**	**481 677**
South Africa	176 965	162 237
Australia	299 255	319 440
INTEREST INCOME	**1 800**	**901**
South Africa	573	516
Australia	743	385
Corporate	484	-
INTEREST EXPENSE	**74 162**	**16 370**
South Africa	49 001	12 784
Australia	14 355	2 990
Corporate	10 806	596
DEPRECIATION & AMORTISATION & IMPAIRMENT	**76 212**	**34 477**
South Africa	45 063	19 888
Australia	30 544	13 986
Corporate	605	603
LOSS FOR THE YEAR	**(133 841)**	**(37 981)**
South Africa	(132 365)	(45 984)
Australia	14 354	9 907
Corporate	(15 830)	(1 904)
SEGMENT ASSETS	**1 078 250**	**531 199**
South Africa	538 609	280 853
Australia	533 945	241 194
Corporate	5 696	9 152
SEGMENT LIABILITIES	**923 892**	**321 239**
South Africa	473 549	221 166
Australia	353 238	94 439
Corporate	97 105	5 634

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. DISPOSAL GROUPS

During the current year the directors of the Group decided to dispose four subsidiaries. The assets and liabilities attributable to these subsidiaries have been classified as a disposal group as at 30 June 2020 and are presented separately in the statement of financial position. Disposal is expected to occur within the next 12 months. The proceeds of disposal are expected to equal or exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of these operations as held for sale.

All figures in R'000	**Reviewed Year ended 30 June 2020**
ASSETS	
Property, plant and equipment	46 117
Right of use of asset	135 976
Intangible assets	8 045
Deferred taxation	1 788
Other financial assets	-
Inventories	3 149
Trade and other receivables	5 940
Cash and Cash equivalents	1 690
Assets of disposal Groups	**202 705**
LIABILITIES	
Other financial liabilities	27 275
Operating lease liabilities	-
Lease Liability	155 048
Trade and other payables	13 656
Tax payable	784
Liabilities of disposal Groups	**196 763**

5. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred costs amounting to R18.2 million for capital expenditure, a total of R4.7 million was incurred in Australia while R13.5 million related to South Africa with the bulk relating to Harbour Bay in Simonstown, where R8.3 million was spent. Depreciation was higher for the year due to additional capital expenditure and the adoption of IFRS 16.

6. GOODWILL

As at 30 June 2020, management decided to impair the full goodwill amounting to R4.7 million relating to the De la Vie cash generating unit as the recoverable amount was less than the carrying amount. Based on the assessment of the forecasts and the budgets, De La Vie would not make taxable profits in the next five years and thus the trigger of the impairment for the full goodwill.

7. INTANGIBLE ASSETS

The Group purchased additional other intangibles amounting to R0.5 million relating to Harbour Bay.

8. OPERATING LEASE ASSETS AND LIABILITIES

The adjustment to right of use assets amounting to R23.9 million relates to the reversal of the operating lease assets and liabilities recognised as at 30 June 2019. This reversal is due to the implementation of IFRS 16.

9. OTHER FINANCIAL ASSETS

Other Financial Assets increased due to loans advanced to doctors.

10. DEFERRED TAX

Deferred tax decreased during the period under review - this is due to deferred tax asset derecognised as the probability of taxable profit being available to utilise the deferred tax asset was low for Advanced Health South Africa (the company), De La Vie and Knysna. The deferred tax derecognised relating to Advanced Health South Africa, De La Vie and Knysna amounts to R21.6 million.

11. CASH AND CASH EQUIVALENTS

There has been an increase in cash and cash equivalents compared to the year ended 30 June 2019. The Group has engaged less in investing activities as compared to the prior year. Cash generated from operations still remains positive. Advanced Health South Africa obtained an overdraft facility amounting to R15.0 million in December 2019 – as at 30 June 2020 an amount of R2.8 million had been utilised. The amount utilised for Presmed's overdraft facility amounted to R0.4 million as at 30 June 2020.

12. NON-CONTROLLING INTEREST

Advanced sold 25.1% of its shareholding in Presmed, for a total transaction consideration of AUD5.8 million (R56.9 million) reducing Advanced's share in Presmed from 86.5% to 61.4%. Advanced retains the majority shareholding and thus control the company. As no control was lost, the transaction is treated as an equity transaction and no effect on the income statement but equity transaction reserve arose due to the profit earned on group level. The profit earned amounted to R20.1 million.

Shares sold to doctors amounted to R0.3 million with dividends paid by the subsidiaries in Presmed Australia amounting to R10.2 million.

13. OTHER FINANCIAL LIABILITIES

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

- Loan repaid to Eenhede Konsultante amounting to R35.6 million for South Africa.
- ABSA repayments in South Africa amounting to R10.0 million.

Additional loans were also obtained from Eenhede Konsultante (R24.0 million) and ABSA (R8.1 million). Finance costs paid decreased from the prior year.

14. LEASE LIABILITY

No additional leases were obtained during the year. An amount of R10.1 million was repaid during the 2020 financial year.

15. TRADE AND OTHER PAYABLES

Trade and other payables increased compared to the year ended 30 June 2019. During April 2020, Presmed received a viability payment amounting to R9.6 million, as at 30 June 2020 an amount of R8.4 million was to be refunded. Cash flows in South Africa was impacted by the ability not to generate revenue due to the impact of COVID-19.

16. RELATED PARTIES

During the year ended 30 June 2020, 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.

17. REVENUE

For both South Africa and Australia, revenue was at its lowest for the month of April 2020. Advanced Health South Africa's hospitals remained open and operational during this time, although 95% of the core operations namely elective surgeries were prohibited for the month of April 2020, based on the risk for COVID-19. The Australian Government also temporarily suspended all non-urgent elective surgery in both the private and public hospital sector, effective 1 April 2020, in order to preserve resources and non-urgent elective surgery resumed on 27 April 2020.

The Revenue for Q4 2020 for Australia amounted to AUD4.2 million (R44.1 million) compared to Q4 2019 where the revenue was AUD7.9 million (R82.9 million) which equates to a 47% decrease. The decrease in South Africa from Q4 2019 to Q4 2020 amounts to 26% with revenue decreasing from R46.4 million to R34.3 million. The number of cases both in South Africa and Australia for Q4 2020 decreased by 43% and 40% respectively compared to Q3 2020.

The impact on COVID-19 was not only limited to a decrease in revenue but also had an effect on the EBITDA; loss incurred by the company and subsequently cash flows for the day to day operations.

R'000	**Reviewed Year ended 30 June 2020**	**Audited Year ended 30 June 2019**
Rendering of services		
Included in revenue from contracts with patients:		
Theatre/accommodation fees/facility fees	392 012	407 317
Equipment and fixed fees	21 384	18 819
	413 396	**426 136**
Sale of goods		
Included in revenue from sale of goods to patients:		
Drug revenue and gases	62 824	55 541
Total revenue	**476 220**	**481 677**

18. COST OF SALES

Gross profit percentage remained fairly constant with a small decrease of 4% to from 47% in 2019 to 45% in 2020.

19. EBITDA

Positive EBITDA of R54.5 million for the year when compared to the last published results and this due to the adoption of IFRS 16. The impact of IFRS 16 amounted to R46.6 million. Excluding the IFRS 16 impact, EBITDA for the Group decreased by 55% to R7.9 million (2019: R17.6 million). The main impact on EBITDA (excluding the IFRS impact) was the decrease in revenue for Q4 2020.

20. TAXATION

Taxation increased by more than 100% and this is due to mainly two factors. Assessed losses were not recognised as deferred tax assets for AHSA, De La Vie and Knysna and the total effect of this was R21.6 million. Deferred tax assets were utilised in Vergelegen, Soweto, East Rand and Harbour Bay due to the increase in taxable income as a result of impairing all intercompany loans amounting to R15.2 million as the companies are now disclosed as a disposal group.

21. LOSS FOR THE YEAR

The Group incurred a loss amounting to R133.8 million (2019: R37.9 million) for the year under review. This is a combination of both the adoption of IFRS 16 that had a negative effect on the results reported and also the decrease in revenue for Q4 2020.

22. COMPARATIVE FIGURES

Employee cost relate to nursing staff were reclassified from operating expenses to cost of sales as they are considered to be directly related to the group's revenue generating activities. The effect of this reclassification was as follows:

Cost of sales	(R27.1 million)
Operating expenses	R27.1 million

23. CONTINGENT LIABILITY

Advanced Health has received a formal notice for arbitration from a service provider in the claim amount of R3,75 million. The claim involves a dispute about the terms of a three-year contract. Both the claimant and Advanced Health are desirous to settle the matter so as to prevent incurring unnecessary legal costs and are in discussions to settle the matter.

24. EXCHANGE RATES

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

Rand/Australian Dollar	30 June 2020	30 Jun 2019
Closing rate	11.9615	9.8912
Average rate	10.4887	10.1481

COMMENTARY

BACKGROUND ON DAY HOSPITAL INDUSTRY

Advanced is an important role player in day surgery across South Africa and Australia. Private healthcare is currently in an exciting stage of development, and 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 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. More medical aids are channelling patients towards day surgery due to the cost effectiveness.

FINANCIAL RESULTS

The Group remained in a loss-making position. On 11 March 2020, the World Health Organisation declared COVID-19 as a global pandemic. As COVID-19 was declared a pandemic, this had an effect on the day to day operations of Advanced both in South Africa and Australia as elective surgeries were suspended. Advanced's business is mainly elective surgeries. Early indications are that the revenue of our Group has started to improve during the first quarter of our 2021 financial year.

South African Operations

Although the last quarter has shown a marked improvement in revenue per case (20%) for South Africa, Gross Profit percentage ('GP%') realized was lower by 10%, while the rest of the cost structure remained predominantly fixed. The decrease in GP% can mainly be attributed to purchases of Personal Protective Equipment ('PPE') as well as a result of a change in case mix. We noticed a decrease in ENT and Ophthalmic cases, due to the higher infection risk of the airways and eyes. Due to admission restrictions which applied to some acute hospitals, during the peak period of the pandemic, Advanced absorbed some cases which traditionally were done in acute facilities. Further to this, there was an overall hold on elective cases combined with doctors and patients being cautious and delaying or alternatively cancelling cases.

Australian Operations
In Australia, the COVID impact lasted from March 2020 to June 2020. Several surgeons decided to cease operating during this time. At the time the Government announced the suspension of all non-urgent elective surgeries from April 2020. A gradual increase in elective surgical procedures was implemented in stages from 50% in May and up to 75% by end June 2020. No further restrictions applied to our Australian facilities as from July 2020.

For South Africa and Australia, mitigating measures have been put in place, which provided some relief during this time – government grants and payment holidays were negotiated and temporary salary reductions were implemented.

Post year-end performance
The general slowing down of elective cases was assumed to be demand deferred instead of lost, which created the expectation of a positive effect on the medium-term revenue. An increase in revenue was indeed noted during July and August in both South Africa and Australia.

OVERVIEW

Australia
The overall Presmed Group results are extremely encouraging in what has been a challenging year. A strong and successful first 3 quarters of the financial year formed a strong base for the impacts on the business due to COVID-19. In late March 2020, all non-urgent elective surgery was temporarily stopped by the Australian Government in an attempt to control the COVID pandemic. At the end of April month, this was allowed to increase using a staggered approach up to 75% by 30 June 2020, and back to 100% for the new financial year.

Despite the obvious effects on patient surgery throughput reductions from COVID on the Presmed facilities, all of the day hospitals under its umbrella were profitable and, in a cash, positive position. With more than 3 months of reduced surgery throughput during April to Juned, the bottom-line results of each facility have been outstanding.

Presmed continues to be recognised as a key player within the industry, maintaining its position as setting premium standards 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. Regardless of the losses incurred during the reporting period, there has been a notable increase in patient numbers. Harbour Bay in Simonstown started operating on 17 January 2020. Capital expenditure to the value of R8.3 million has been incurred for the financial year ending 30 June 2020.

CHANGES TO DIRECTORS
Mr Carel Petrus Snyman has resigned as Chief Financial Officer with effect from 31 October 2019. Ms. Marna Castelyn was subsequently appointed as acting Chief Financial Officer with effect from 1 November 2019, until the appointment Ms. Sinenhlanhla Chonco as fulltime Chief Financial Officer with effect from 1 February 2020.

Mr Gerhard van Emmenis was appointed as Chief Executive Officer with effect from 1 August 2019. Mr Frans Andre van Hoogstraten stepped down as chairman of the board and Mr Carl Alfred Grillenberger's role changed from non-executive director to chairman of the board with effect from 28 August 2019. Mr Frans Andre van

Hoogstraten remained a member of the board and lead independent non-executive director. Dr. Kgao Legodi was appointed as non-executive director with effect from 27 November 2019."

DIVIDEND DECLARATION
No dividend is proposed or recommended for the financial year ended 30 June 2020.

On behalf of the board

CA Grillenberger	**GJ van Emmenis**	**SC Chonco**
Chairman	**Chief Executive Officer**	**Chief Financial Officer**
25 September 2020		

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# (Chief Operational Officer Australia)
D Goss-Ross (Alternate)
S Chonco (Chief Financial Officer)

Non-Executive Directors
FA van Hoogstraten (Lead Independent)
CA Grillenberger (Chairman)
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:	Link Market Services Proprietary Limited

Date of announcement: ***25 September 2020***
Designated Advisor
Grindrod Bank Limited