

RH BOPHELO LIMITED

Incorporated in the Republic of South Africa
(Registration number: 2016/533398/06)
JSE & RSE Share Code: RHB, ISIN: ZAE000244737
("RHB" or "the Company")



CONDENSED UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2021

INTRODUCTION

The Board of Directors (the Board) of the Company is pleased to present the unaudited interim results for the six months ended 31 August 2021.

The Company's primary objective is to generate returns for its shareholders through specific and targeted investments in the healthcare and financial services sectors. The Company achieves this through making equity, quasi-equity, and equity-related investments in healthcare and financial services. The Company executes on its investment mandate primarily through two wholly owned subsidiaries, RH Bophelo Operating Company Proprietary Limited (RHBO) and RH Financial Services Proprietary Limited (RHFS). These subsidiaries are utilised to acquire various investments on behalf of the Company.

RHB has been listed on the Johannesburg Stock Exchange (JSE) since 12 July 2017, followed by a secondary listing on the Rwanda Stock Exchange on 1 June 2020.

FINANCIAL OVERVIEW

The key financial indicators reflected in these financial results are as follows:

- Net asset value per share increased by 11,43% to R14,32 in the current period from R12,85 in the prior period.
- Net asset value increased by 22,43% when compared to the prior period, from R756,7 million to R926,5 million.
- Investment income decreased by 11,23% when compared to the prior period, from R114,8 million to R101,9 million.
- Total income before tax decreased when compared to the prior period, from R103 million to R91,3 million in the current period.
- Total income after tax decreased from R81 million in the prior period to R72 million in the current period.
- A dividend of R9,7 million was declared on Class "A" Ordinary shares on the 26 May 2021 with a dividend per share of 15 cents and paid on the 26 July 2021.
- The Board approved a gross dividend of R3,9 million in relation to the unlisted 1 "B" Class Share. The "B" Class Share dividend was declared on the 26 November 2021. The B share has been issued to the company's investment management company RH Bophelo Management Company (ManCo) and its dividend represents a reward for management services provided to RH Bophelo. The dividend is calculated using a formula that accounts for the cumulative growth in the net asset value of RH Bophelo. RH Bophelo Limited's tax reference number is 9729/758/160. The dividend is exempt from dividend withholding tax.

INVESTMENTS

During the six-month period, the Company increased its investments in its unlisted equities (classified as financial assets at fair value through profit or loss) in RHFS by R18 million.

EFFECTS OF THE CORONAVIRUS (COVID-19) PANDEMIC

In line with the practices of the prior period, The Board continues to monitor the effects of the ongoing COVID-19 pandemic on the Company's operations and key stakeholders. During the current period, the reduced severity of the COVID-19 lockdowns and the acceleration in the national vaccine programme have contributed to enabling the Company and its various operating units to operate at high capacity and utilisation rates. In addition, the Company has considered the various predicted scenarios relating to the pandemic in its assessment of the going concern assumption and the valuation of key metrics that are affected by factors related to the pandemic itself, such as utilisation rates for healthcare services.

PREPARATION

The interim financial results have been prepared internally under the supervision of the Chief Financial Officer, Dion Mhlaba CA(SA), and approved by the Board of Directors.

The Executive Committee takes full responsibility for the preparation of this report and ensuring that the financial information has been correctly prepared.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2021

	Notes	Aug-21 Unaudited R	Aug-20 Reviewed R	Feb-21 Audited R
Assets				
Non-current assets				
Financial assets at fair value through profit or loss	4.1	947 214 730	768 224 273	842 778 946
Loans to group companies	4.2	37 819 185	40 234 417	38 453 570
Property, plant and equipment	4.15	3 600 438	-	4 041 260
		<u>988 634 353</u>	<u>808 458 690</u>	<u>885 273 776</u>
Current assets				
Loans to group companies	4.2	5 583 817	5 612 260	5 365 502
Other receivables	4.10	1 059 282	2 279 661	322 507
Current tax receivable		19 562		19 562
Cash and cash equivalents	4.9	15 357 453	44 164 704	34 699 084
		<u>22 020 114</u>	<u>52 056 625</u>	<u>40 406 655</u>
Total assets		<u>1 010 654 467</u>	<u>860 515 315</u>	<u>925 680 431</u>
Equity and Liabilities				
Equity				
Stated capital	4.12	633 589 672	576 299 672	633 589 672
Retained income		292 924 133	180 398 276	230 486 386
Total equity		<u>926 513 805</u>	<u>756 697 948</u>	<u>864 076 058</u>
Non-current liabilities				
Lease liabilities	4.15	2 735 624	-	3 017 866
Deferred tax	4.14	77 095 642	44 490 460	57 848 552
		<u>79 831 266</u>	<u>44 490 460</u>	<u>60 866 418</u>
Current liabilities				
Other payables	4.11	3 701 158	1 265 304	116 063
Current tax payable	4.14	-	771 603	-
Financial liability	4.17	-	57 290 000	-
Lease liabilities	4.15	608 238		621 892
		<u>4 309 396</u>	<u>59 326 907</u>	<u>737 955</u>
Total liabilities		<u>84 140 662</u>	<u>103 817 367</u>	<u>61 604 373</u>
Total equity and liabilities		<u>1 010 654 467</u>	<u>860 515 315</u>	<u>925 680 431</u>

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 AUGUST 2021

	<i>Notes</i>	Aug-21 Unaudited R	Aug-20 Reviewed R	Feb-21 Audited R
Investment income				
Gains from financial assets at fair value through profit or loss	4.3	88 437 713	107 382 855	174 477 925
Interest income	4.4	2 801 153	3 876 495	7 020 713
Dividend income	4.5	10 746 008	3 600 000	7 336 107
Total investment income		101 984 874	114 859 350	188 834 745
Other income	4.6	181 988	138 000	430 411
Professional fees		(4 414 911)	(6 505 265)	(9 207 269)
Management fees		(3 335 918)	(3 121 245)	(6 904 402)
Other operating expenses		(3 027 501)	(2 299 242)	(6 635 685)
Total expenses		(10 778 330)	(11 925 752)	(22 747 356)
Total income before tax		91 388 532	103 071 598	166 517 800
Income tax	4.13	(19 247 090)	(21 942 494)	(35 300 586)
Total income after tax		72 141 442	81 129 104	131 217 214
Other comprehensive income		-	-	-
Total comprehensive income		72 141 442	81 129 104	131 217 214
Earnings per share				
Per share information				
Basic earnings per share (R)		1,12	1,39	2,18
Diluted and headline earnings per share (R)		1,12	1,39	2,18
Dividend per share (A ordinary shares) (R)		0,15	-	-

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 AUGUST 2021

	Stated capital	Retained income	Total
Balance as at 1 March 2020	547 339 672	99 269 172	646 608 844
Shares issued	28 960 000	-	28 960 000
Total comprehensive income for the period		81 129 104	81 129 104
Balance as at 31 August 2020 (Reviewed)	576 299 672	180 398 276	756 697 948
Shares issued	57 290 000	-	57 290 000
Total comprehensive income for the period	-	50 088 110	50 088 110
Balance as at 28 February 2021 (Audited)	633 589 672	230 486 386	864 076 058
Total comprehensive income for the period	-	72 141 442	72 141 442
Ordinary dividend declared and paid	-	(9 703 695)	(9 703 695)
Balance as at 31 August 2021 (Unaudited)	633 589 672	292 924 133	926 513 805

CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 AUGUST 2021

		Aug-21 Unaudited R	Aug-20 Reviewed R	Feb-21 Audited R
Cash generated from / (utilised in) operations	4.16	1 101 881	(7 553 314)	(10 929 279)
Income tax paid	4.13	-	(332 215)	(807 122)
Net cash generated from / (utilised in) operating activities		1 101 881	(7 221 099)	(11 736 401)
Cash flows from investing activities				
Increase in financial assets at fair value through profit and loss	4.1	(15 450 000)	(68 683 337)	(75 214 343)
Disposal of financial assets at fair value through profit or loss	4.1	2 130 183	-	-
Loans to group companies repaid	4.2	3 000 000	-	1 866 862
Net cash utilised in investing activities		(10 319 817)	(68 683 337)	(73 347 481)
Cash flows from financing activities				
Finance lease payments		(420 000)	-	(286 174)
Ordinary dividend declared and paid	4.8	(9 703 695)	-	-
Net cash utilised in financing activities		(10 123 695)	-	(286 174)
Net decrease in cash and cash equivalents		(19 341 631)	(75 904 436)	(85 370 056)
Cash and cash equivalents at the beginning of the period		34 699 084	120 069 140	120 069 140
Cash and cash equivalents at the end of the period	10	15 357 453	44 164 704	34 699 084

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim financial results have been prepared in accordance with the presentation and disclosure requirements of IAS 34 *Interim Financial Reporting* and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and interpretations of IFRS, as issued by the International Accounting Standard Board, the Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Limited Listings Requirements, and the requirements of the South African Companies Act, 71 of 2008.

The interim financial results have been prepared on the historic cost basis except that financial asset at fair value through profit or loss are stated at their fair value. The results are presented in South African Rand which is the Company's functional and presentation currency. The current period for 31 August 2021 is unaudited, whilst the comparative period (August 2020) was reviewed and the February 2021 annual financial statements were fully audited.

The accounting policies and methods of computation are consistent with those included in the annual financial statements at 28 February 2021, except for:

- Dividend – The Company declared a dividend for the first time during this period. The dividend was declared and paid for "A" Ordinary Shares.

The Company, together with its subsidiaries RH Bophelo Operating Company (RHBO) and RH Bophelo Financial Services (RHFS) are classified as investment entities in accordance with IFRS 10 *Consolidated Financial Statements*. The classification was assessed at the reporting date and the Directors have determined that the Company and its entities still meet the investment entity criteria and are exempt from consolidation in line with IFRS 10.31.

2. NEW STANDARDS AND INTERPRETATIONS

There were no new accounting standards that became effective during this reporting period.

3. NEW SIGNIFICANT TRANSACTIONS

- The Company declared a dividend relating to the "A" Ordinary Shares for the first time on 26 May 2021 for R9 703 695 based on the 64 699 423 number of shares and a dividend per share of 15 cents. The dividend was then paid on 26 July 2021.
- Increase of R18 083 989 in RH Financial Services equity investments:
 - Increase in Genric Insurance Company Limited shareholding from 25% to 30% for R11 633 989.
 - A share buyback program was initiated during the month of August 2021, and the total number of shares bought back were 1 193 800 "A" Ordinary Shares which is 1,84% of the total issued shares for R6 450 000 at an average price of R5,20 per share. The shares are recorded in RSOV Proprietary Limited, 100% subsidiary of RH Financial Services.

4. NOTES TO THE INTERIM FINANCIAL STATEMENTS

4.1. Financial assets at fair value through profit or loss – investments in unlisted equities

	Aug-21 Unaudited	Aug-20 Reviewed
Opening balance	848 547 124	515 503 218
Additions – acquired in listed shares	-	28 960 000
Additions – acquired in financial liabilities	2 633 988	57 290 000
Additions – acquired in cash	15 450 000	68 683 337
Disposals of investments	(2 130 183)	
Fair value gains	88 481 979	103 555 896
	952 982 908	773 992 451
Day 1 gains deferred*	(5 768 178)	(5 768 178)
	947 214 730	768 224 273

Additions include investments in unlisted equities for the current period in RHFS. The investments are measured at fair value through profit or loss.

The investments under RHBO and RH 12J have been designated to the healthcare investments portfolio and investments under RHFS have been designated to the financial services investments portfolio.

*Loans provided to the investee companies are regarded as transactions between equity participants and the resultant Day 1 gains and losses have been presented as an adjustment to the carrying amount of the investments.

Investments in unlisted equity instruments – reconciliation

Aug-21 Unaudited					
Entity	Opening balance	Additions / (Disposals)	Fair value changes	Day 1 gains deferred	Closing balance
RHFS	65 098 257	18 083 989	17 027 075		100 209 321
RHBO	781 234 420	-	71 539 167	(5 768 178)	847 005 409
RH 12J	2 214 445	(2 130 183)	(84 263)		-
	848 547 122	15 953 806	88 481 979	(5 768 178)	947 214 730
Aug-20 Reviewed					
Entity	Opening balance	Additions	Fair value changes	Day 1 gains deferred	Closing balance
RHFS	3 746 257	52 500 000	15 982 680		72 228 937
RHBO	509 542 516	102 433 337	87 573 216	(5 768 178)	693 780 891
RH 12J	2 214 445	-	-		2 214 445
	515 503 218	154 933 337	103 555 896	(5 768 178)	768 224 273

The valuation techniques applied to the valuation of each investment incorporate level 3 inputs as defined in IFRS 13 *Fair Value Measurement*. The valuation of the investments in unlisted equities relies on various unobservable inputs that are sensitive to changes that would affect the recognised value of the investments in the financial statements. To aid stakeholders in understanding the significant unobservable inputs that influence the valuation process, the company has identified the key inputs used in the valuations. A sensitivity analysis on these inputs has been prepared and disclosed in order to illustrate the potential impact of the changes to these inputs on the amounts recognised in the financial statements.

The ranges (and absolute values) used for the key unobservable inputs are as follows:

Input	Range used Aug-21	Range used Aug-20
Capitalisation rate	10,5% to 13,5%	10% to 12%
TGR (Terminal Growth rate)	3,3% to 4,1%	4% to 5,1%
WACC (Weighted Average Cost of Capital)	16,86% to 21,25%	17,68% to 23,17%
EBITDA (Earnings before interest, tax, depreciation, and amortisation)	11,48%	11,74%
Market interest rate	7%	7%

Explanation of key valuation inputs and possible impact of changes in inputs

Significant unobservable input	Current unit of measurement	Favourable changes	Unfavourable changes
Capitalisation rate#	10,5% - 13,5%	Decrease by 25 basis points will result in an increase in the value of investments.	Increase by 25 basis points will result in a decrease in the value of investments.
Terminal Growth rate	3,3% - 4,1%	Increase by 25 basis points will result in an increase in the value of investments.	Decrease by 25 basis points will result in a decrease in the value of investments.
WACC (range)	16,86% - 21,25%	Decrease by 25 basis points will result in an increase in the value of investment.	Increase by 25 basis points will result in a decrease in the value of investments at year-end.
EBITDA			
Using the seven-year compounded annual growth rate on EBITDA	11,48%	Increase by 250 basis points will result in an increase in the value of investments at year-end.	Decrease by 250 basis points will result in a decrease in the value of investment at year-end.
Market interest rate (Prime + 1%) (Applicable to group loans)	7%	Decrease by 25 basis points will result in an increase in the loan value at year-end.	Increase by 25 basis points will result in a decrease in the loan value at year-end.

The capitalisation rate is used in the valuation of the properties acquired as part of investments.

Sensitivity analysis – investments in unlisted equities

The table below reflects the effect of changes in significant unobservable inputs that affect the valuation of the Company's financial assets. As the investments are held at fair value through profit or loss; the changes – if they materialised – would be reflected in the statement of profit or loss.

R	Aug 2021 Unaudited		Aug 2020 Reviewed	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Capitalisation rate	8 702 431	(8 315 453)	11 854 303	(11 327 445)
Terminal growth rate*	5 956 622	(5 753 190)	17 610 864	(17 026 244)
WACC	15 905 058	(15 285 286)	16 418 870	(15 911 298)
EBITDA	26 199 720	(26 034 548)	19 128 133	(19 128 131)
Total	56 763 831	(55 388 477)	65 012 170	(63 393 118)
Current fair value as at period end	947 214 730	947 214 730	768 224 273	768 224 273
Fair value after accounting for total effect of changes in inputs	1 003 978 561	891 826 253	833 236 443	704 831 155

*The sensitivity analysis relating to the terminal growth rate was applied to the terminal value for all investments of R947 million (prior period: R768 million). The DCF method was used to value all investments with a terminal growth rate of 3,3% to 4,1%.

4.1.1 Summary of significant investments

August 2021

Entity	Description	Economic Interest	Fair value at end of period (R)	WACC	Proportion of total investments
Investments In Subsidiaries					
Africa Healthcare	Operates and owns hospitals, property, pharmaceuticals	100%	362 347 065	17%	39%
Rondebosch Medical Centre Proprietary Limited	Hospital services	100%	223 380 281	18%	24%
RH Bell Clinic	Hospital services and investment property	100%	22 320 664	19%	3%
Vryburg Investment Holdings	Hospital services and investment property	81%	30 981 296	18%	3%
Medicare Private Hospital	Hospital services and investment property	51%	178 332 250	17%	19%
Investments in Associates					
Generic Insurance Company	Insurance	30%	85 000 000	18%	9%

*Each of the investments listed here represent at least 3% of the total value of the investments designated at fair value through profit or loss.

4.1.2 Sensitivity analysis – Properties

Included in some of the investment balances are amounts relating to properties that are acquired as part of the investee companies. The capitalisation rate used to value each property is a significant unobservable input. An increase in the capitalisation rate results in a decrease in the fair value of the property and – by extension – the fair value of the investment. A decrease in the capitalisation rate results in an increase in the fair value of the property and – by extension – the fair value of the investment.

The sensitivity analysis relating to the property component of each investment with a fair value that has a property element is as follows –

Project	Total Fair value at the end of the period	Property fair value included in valuation	Residual	Capitalisation rate	Changes in the capitalisation rate	
					Favourable (- 2,5 bps)	Unfavourable (2,5 bps)
Africa Healthcare	362 347 065	95 800 000	266 547 065	12% - 14%	1 834 043	(1 766 308)
Vryburg Investment Holdings	30 981 296	29 000 000	1 981 296	11%	674 419	(644 444)
Medicare Private Hospital	178 332 250	107 060 535	71 271 715	10,5%	5 120 064	(4 881 921)
RH Bell Clinic	22 320 664	8 512 347	13 808 317	10%	871 795	(829 268)
RH Fauchard Clinic	18 012 781	9 095 002	8 917 779	12%	202 111	(193 511)

* RH Bell Clinic includes the property company, Notamed (Proprietary) Limited.

Sensitivity analysis – significant investments in unlisted equities

The table below reflects the effect of changes in significant unobservable inputs that affect the valuation of the company’s financial assets. As the investments are held at fair value through profit or loss; the changes – if they materialised – would be reflected in the statement of profit or loss.

Aug 2021

Significant unobservable input		WACC		EBITDA		TGR	
Subsidiaries and Associates	Total fair value at year end	Favourable -25 bps	Unfavourable +25 bps	Favourable +250 bps	Unfavourable -250 bps	Favourable +25 bps	Unfavourable -25 bps
Subsidiaries							
Africa Healthcare	362 347 096	6 286 730	(6 053 093)	9 034 100	(9 034 100)	259 229	(256 755)
Medicare Private Hospital	178 332 250	2 225 983	(2 139 817)	5 160 400	(5 160 400)	1 373 951	(1 321 207)
Rondebosch Medical Centre	223 380 281	4 741 572	(4 567 321)	5 949 500	(5 949 500)	2 914 819	(2 811 430)
Vryburg Investment Holdings	30 981 296	161 386	(154 341)	268 000	(268 000)	100 197	(96 339)
RH Bell Clinic	22 320 664	992 922	(925 352)	854 900	(854 900)	132 218	(128 446)
Fauchard Clinic	18 012 781	288 712	(278 766)	389 300	(389 300)	176 546	(170 914)
Wesmart Financial services	8 859 019	151 713	(147 364)	206 600	(206 600)	81 539	(79 273)
Associates							
PBHPM*	10 296 615	83 634	(82 067)	50 792	(50 792)	181 728	(177 652)
Genric Insurance Company	85 000 000	972 406	(937 165)	4 286 128	(4 120 956)	736 395	(711 174)

*Phelang Bonolo Healthcare Procurement and Management Proprietary Limited (PBHPM)

4.1.3 Disclosures required by Section 15 of the JSE Listings Requirements.

August 2021 Unaudited portfolio reconciliation per segment:

RHBO Portfolio

	Opening balance	Fair value changes	Total	Day 1 gains deferred	Closing balance
Africa Healthcare	311 548 107	53 295 941	364 844 048	(2 496 983)	362 347 065
Rondebosch Medical Centre	197 341 805	26 038 476	223 380 281	-	223 380 281
Vryburg Investment Holding	31 198 897	(217 601)	30 981 296	-	30 981 296
Medicare Private Hospital	176 648 074	1 684 176	178 332 250	-	178 332 250
RH Bell Clinic	33 176 632	(7 584 773)	25 591 859	(3 271 195)	22 320 664
RH Fauchard Clinic	18 612 802	(600 021)	18 012 781	-	18 012 781
PBHPM	10 296 615	-	10 296 615	-	10 296 615
	778 822 932	72 616 198	851 439 130	(5 768 178)	845 670 952
Net Debt	2 411 488	(1 077 031)	1 334 457	-	1 334 457
	781 234 420	71 539 167	852 773 587	(5 768 178)	847 005 409

RHFS Portfolio

	Opening balance	Additional investment	Fair value changes	Closing balance
Generic Insurance Company	56 239 238	11 633 989	17 126 773	85 000 000
Wesmart Financial Services	8 859 019	-	-	8 859 019
RSOV*	-	6 450 000	-	6 450 000
	65 098 257	18 083 989	17 126 773	100 309 019
Net Debt	-	-	(99 698)	(99 698)
	65 098 257	18 083 989	17 027 075	100 209 321

*RSOV is a subsidiary of RH Financial Services, a company that facilitates the buy-back of the RH Bophelo Limited shares. The programme was implemented at an average price per share of R5,2 for 1 193 800 shares in August 2021.

August 2020 Reviewed portfolio reconciliation per segment:

RHBO Portfolio –

	Opening balance	Additional investment	Fair value changes	Closing balance
Africa Healthcare	224 517 546	-	47 981 471	272 499 017
Vryburg Investment Holding Hospital	26 545 792	5 222 000	(3 317 695)	28 450 097
Rondebosch Medical Centre	46 130 735	93 750 000	38 069 461	177 950 196
Medicare Hospital	120 282 740	-	27 333 260	147 616 000
RH Bell Clinic	39 088 060	-	(6 882 655)	32 205 405
RH Fauchard Clinic	28 452 081	3 000 000	(7 903 236)	23 548 845
PBHPM	11 506 065	-	(915 457)	10 590 608
	496 523 019	101 972 000	94 365 149	692 860 168
Net debt	7 251 319	461 337	(6 791 933)	920 723
	503 774 338	102 433 337	87 573 216	693 780 891

RHFS Portfolio –

	Opening balance	Additional investment	Fair value changes	Closing balance
Generic Insurance Company	-	52 500 000	16 002 853	68 502 853
Wesmart Financial Services	3 746 257	-	(20 173)	3 726 084
	3 746 257	52 500 000	15 982 680	72 228 937

4.2. Loans to group companies

	Aug 2021	Aug 2020
	Unaudited	Reviewed
Opening Balance	43 819 072	40 253 541
Repayments	(3 000 000)	(942 634)
Interest accrued	2 628 196	2 708 811
Fair value adjustment	(44 266)	3 826 959
	43 403 002	45 846 677
Classification		
Current	5 583 817	5 612 260
Non-Current	37 819 185	40 234 417
	43 403 002	45 846 677

The loans offered to group companies are extended at various rates that take into account the indicative risk profile of each company. As such, the terms of the loans are not always reflective of the market interest rates. To account for the difference between the actual rates agreed for each loan agreement and the prevailing market interest rates, a fair value adjustment is determined at the end of the financial period, where the remaining cash flows are discounted at the prevailing market rate of prime + 1%. The difference between the present value of the remaining cash flows (discounted at the market rate) and the cumulative balance on the loan accounts is a fair value adjustment for the period.

Explanation of key valuation inputs and possible impact of changes in inputs:

The Company has a Financial Assistance Policy that governs the provision of financial assistance to group companies. A key input – the interest charged on the financial assistance – is dependent on the profile of each entity and is regarded as an unobservable input. This input is central to the valuation of the loans provided to group companies. As a result, any change to this and other unobservable input would affect the recognised value of the loans in the annual financial statements. To aid stakeholders understand the possible impact of a change in significant inputs that influence the valuation process for the loans to group companies, the Company has prepared a sensitivity analysis based on changes – both favourable and unfavourable – to the inputs.

Sensitivity analysis – loans to group companies

The table below reflects the effect of changes in significant unobservable inputs that affect the valuation of the loans to group companies. As the loans are classified as financial assets at fair value through profit or loss; the changes – if they materialised – would be reflected in the statement of profit or loss.

R	31 Aug 2021 Unaudited		31 Aug 2020 Reviewed	
Significant unobservable input	Favourable changes (+)	Unfavourable changes (-)	Favourable changes (+)	Unfavourable changes (-)
Market interest rate (prime + 1%)	323 977	(326 570)	337 170	(347 280)
Current fair value as at period end	43 403 002	43 403 002	45 846 677	45 846 677
Fair value after accounting for total effect of changes in inputs	43 726 979	43 076 432	46 183 847	45 499 397

The sensitivity analysis is computed using a change of 25 basis points for all periods and scenarios.

4.3. Gains from financial assets at fair value through profit or loss

	Aug 2021 Unaudited R	Aug 2020 Reviewed R
Fair value changes on unlisted equities	88 481 979	103 555 896
Fair value changes on group loans	(44 266)	3 826 959
	<u>88 437 713</u>	<u>107 382 855</u>

Refer to 4.1 and 4.2 for details in fair value movements.

4.4. Net Interest Income

Interest income from the bank balances	172 957	1 167 685
Interest income from group loans	2 628 196	2 708 810
	<u>2 801 153</u>	<u>3 876 495</u>

*Interest income was from loans with Africa Healthcare Proprietary Limited and Notamed Proprietary Limited.

4.5. Dividend income

RH Financial Services Proprietary Limited	-	3 600 000
RH Bophelo Operating Company	10 746 008	-
	<u>10 746 008</u>	<u>3 600 000</u>

The dividend in the current period relate to amounts received from RH Bophelo Operating Company.

4.6. Other Income

Professional fees recovered	22 988	-
Directors' fees income	159 000	138 000
	<u>181 988</u>	<u>138 000</u>

4.7. Total expenses included the following:

Marketing and advertising	624 556	100 860
Depreciation	440 821	-
JSE listing fees	372 145	352 613
Management fees*	3 335 918	3 121 245
Remuneration for Non-Executive Directors	676 460	517 454
Office rental	-	211 335
Due diligence expenses	597 584	492 500
Reporting and audit fees	1 746 756	4 670 888
Professional services	481 166	1 341 877

*Management fees are calculated at 1% per year based on the total issued capital and are payable to RH Bophelo Management Company Proprietary Limited for investment management services.

Aug 2021	Aug 2020
Unaudited	Reviewed
R	R

4.8. Dividend paid

Dividends paid for "A" ordinary shares.	9 703 695	-
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Reconciliation of movement in dividends payable

Balance at the beginning of the period	-	-
Dividends declared during the period	9 703 695	-
Dividends settled in cash	(9 703 695)	-
Balance at the end of the period	-	-

The Company has 64 691 298 shares in issue and the dividend per share is 15 cents.

4.9. Cash and cash equivalents

Current account	190 544	777 327
Call account and short-term deposits	15 166 909	43 387 377
	<u>15 357 453</u>	<u>44 164 704</u>

Cash and cash equivalents consist of the Company's cash balances held in a current account and an investment account. A R3 million corporate guarantee held in favour of Generic Insurance Company Limited in terms of the cell captive agreement, has been re-issued through RH Financial Services.

4.10. Other Receivables

Other receivables	204 850	1 018 083
VAT receivable	854 432	1 261 578
	<u>1 059 282</u>	<u>2 279 661</u>

4.11. Other Payables

Accounts payable	1 007 780	226 674
Accrued expenses	2 693 378	267 027
Current tax payable	-	771 603
	<u>3 701 158</u>	<u>1 265 304</u>

4.12. Stated capital

Reconciliation of class A shares

Opening balance	64 699 423	55 934 179
Issued during the period	-	2 940 821
Closing balance	<u>64 699 423</u>	<u>58 875 000</u>

Reconciliation of stated capital

Opening balance	633 589 672	547 339 672
Issued during the period	-	86 250 000
Closing balance	<u>633 589 672</u>	<u>633 589 672</u>

	Aug 2021	Aug 2020
	Unaudited	Reviewed
	R	R
4.13. Income tax expense		
Major components of income tax expense		
Deferred tax expense	19 247 090	21 942 494
	<hr/>	<hr/>
Reconciliation between accounting profit and tax expense		
Profit before tax	91 388 532	103 071 598
	<hr/>	<hr/>
Tax at the applicable tax rate of 28% (2020: 28%)	25 588 789	28 860 047
Tax effect of adjustments on taxable income:		
Non-deductible expenses	1 624 414	103 886
Exempt portion of capital gains	(4 957 230)	(6 013 440)
Exempt dividend income	(3 008 882)	(1 008 000)
Effective income tax expense	<hr/> 19 247 090	<hr/> 21 942 494

4.14. Deferred tax

The deferred tax liability comprises temporary differences on:

Financial assets at fair value through profit or loss	(82 101 827)	(46 601 726)
Tax losses carried forward	4 942 680	2 111 266
Property, plant and equipment	(872 776)	-
Lease liability	936 281	-
	<hr/> (77 095 642)	<hr/> (44 490 460)

Reconciliation of movement in deferred tax liability

Balance at the beginning of the period	(57 848 552)	(22 547 966)
Increase in fair value adjustments on financial assets at fair value through profit or loss	(20 470 806)	(24 053 760)
Increase in tax losses carried forward	1 160 211	2 111 266
Increase in temporary differences on property, plant and equipment	(872 776)	-
Increase in temporary differences on lease liability	936 281	-
Balance at the end of the period	<hr/> (77 095 642)	<hr/> (44 490 460)

Aug 2021 Unaudited R	Aug 2020 Reviewed R
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4.15. Lease liability

The lease liability relating to the lease contract for office buildings has been computed using the contractual lease payments using the incremental borrowing rate in the lease. The reconciliation of the lease liability for the year is as follows:

Balance at the beginning of the period	3 639 758	-
-Interest accrued	124 104	-
Repayments	(420 000)	-
Balance at the end of the period	3 343 862	-
Non-current liabilities	2 735 624	-
Current liabilities	608 238	-
	3 343 862	-

The present value of the minimum lease payments is expected to be settled as follows:

-within one year	608 238	-
-in second to fifth year inclusive	2 735 624	-
	3 343 862	-

Reconciliation of minimum lease payments to lease liability

Due within one year	805 000	-
Due in year two to year five	3 066 530	-
Undiscounted lease payments	3 871 530	-
Future interest expense	(527 668)	-
Present value of minimum lease payments	3 343 862	-

Property, plant and equipment

Reconciliation of property, plant and equipment - August 2021

	Opening balance	Additions	Depreciation	Closing balance
Furniture and fittings*	542 521	-	(59 141)	483 380
Right-of-use Asset - Buildings**	3 498 739	-	(381 680)	3 117 058
	4 041 260	-	(440 821)	3 600 438

*The assets relate to furniture and fixtures that were installed on the leased building. The assets are depreciated over 5 years in line with the lease term. There was no property, plant and equipment in the prior year.

**The right-of-use asset relates to the lease of office buildings for a period of 5 years at a monthly payment of R70 000 with an incremental borrowing rate of 7%.

The Company leases its office buildings in terms of a five-year non-cancellable lease. The lease contract has been classified as a lease in terms of IFRS 16 *Leases*. On inception date, the Company recognised a right-of-use asset equal to the present value of the future lease payments value of the lease liability. As the Company uses a cost model in relation to its owned property, plant and equipment, the right-of-use asset has been depreciated over the lease term.

		Aug 2021 Unaudited R	Aug 2020 Reviewed R
4.16. Cash flows from operating activities			
Profit before tax		91 388 532	103 071 598
Non-cash items			
Interest accrued on loans to group companies	4.4	(2 628 196)	(1 766 177)
Gains from financial assets at fair value through profit or loss	4.1	(88 437 710)	(107 382 855)
Other non-cash items		564 926	-
Changes in working capital			
Increase in other receivables		(736 775)	(1 159 106)
Increase/(decrease) in other payables		951 104	(316 774)
Cash generated from operations		1 101 881	7 553 314

4.17. Financial Liability

In the prior period, a balance of R57,29 million was raised for amounts outstanding to Perthpark Properties Limited ("Perthpark") for an acquisition of 70% shareholding in Rondebosch Medical Centre. The R57,29 million was settled through an issue of new shares to the Perthpark in October 2020.

	Aug 2021	Aug 2020
	Unaudited	Reviewed
	R	R
4.18. Related Parties		
Related party balances and transactions		
Loan accounts - Owing by related parties		
Africa Healthcare	11 468 883	18 146 680
Notamed Proprietary Limited	31 934 119	27 682 008
	<u>43 403 002</u>	<u>45 828 688</u>
Amounts included in other payables due to related parties		
RH Bophelo Financial Services	(144 704)	-
Generic Insurance Company	2 633 989	-
	<u>2 489 285</u>	
Related party transactions with impact on the statement of profit or loss		
Interest from related parties		
Africa Healthcare	783 147	1 099 843
Notamed Proprietary Limited	1 845 049	1 608 968
	<u>2 628 196</u>	<u>2 708 811</u>
Dividends and Other income from related parties		
RH Bophelo Operating Company	10 746 008	-
RH Financial Services	-	3 600 000
Rondebosch Medical Centre	159 000	138 000
	<u>10 905 008</u>	<u>3 738 000</u>
Administration fees paid to related parties		
RH Bophelo Management Company*	3 335 918	3 121 245
	<u>3 335 918</u>	<u>3 121 245</u>
Rent paid to related parties		
RH Managers**	420 000	211 335
	<u>420 000</u>	<u>211 335</u>

The Company has cross directorships with RH Bophelo Management Company Proprietary Limited and RH Managers Proprietary Limited:

*RH Bophelo Management Company Proprietary Limited ("Manco"), provides investment management services, including portfolio management. Management fees are calculated at 1% per year based on the total issued capital.

**RH Managers Proprietary Limited includes cost recovery for office related rental expenses.

4.19. Stated Capital

The Company's authorised stated capital is 10 000 000 000 "A" no par value ordinary shares with voting rights. (2020: 10 000 000 000 "A" no par value ordinary shares with voting rights). The Company also has 1 "B" restrictive Class of Share with no voting rights. (2020: 1 "B" restrictive Class of Share with no voting rights) held by RH Bophelo Management Company Proprietary Limited.

The B share has been issued to the company's investment management company RH Bophelo Management Company (ManCo) and its dividend represents a reward for management services provided to RH Bophelo. The dividend is calculated using a formula that accounts for the cumulative growth in the net asset value of RH Bophelo.

The total number of "A" Ordinary Shares in issue as at 31 August 2021 is 64 699 423 (31 August 2020: 58 875 000). In the previous reporting period, the Company issued 2 940 821 "A" Ordinary Shares at an average price of R9.94 per share to fund the acquisition of Genric Insurance Company and Rondebosch Medical Centre.

The net asset value per share for the current period of R14.32 (Prior period: R12.85), was calculated using a total number of issued shares of 64 699 423 (Prior period: 58 875 000).

4.20. Basic and Headline Earnings Per Share

The calculation of the basic and headline earnings per ordinary share is based on earnings of R72 141 442 (Prior period: R81 129 104) and a weighted average number of shares in issue of 64 699 423 (Prior period: 58 453 660). The basic and headline earnings per share is R1.12 (Prior period: R1.39).

4.21. Segment reporting

The Company's chief operating decision maker (CODM) – the Executive Committee – makes strategic resource allocations on behalf of the Company. The Company has two segments – the healthcare segment and the financial services segment. The two segments are measured on the basis of the investment income and capital appreciation. The investment income comprises of gains or losses at fair value of underlying investments in associates and subsidiaries, plus any interest income.

The segment information provided to the CODM for the interim period 31 August 2021 is as follows:

Segment information	Healthcare Segment	Financial Services Segment	Total
2021			
Gains from financial assets at fair value through profit or loss	71 410 638	17 027 075	88 437 713
Dividend income	10 746 008	-	10 746 008
Interest income	2 628 196	-	2 628 196
Segment investment income	84 784 842	17 027 075	101 811 917
Segment other income	181 988	-	181 988
Segment total income	84 966 830	17 027 075	101 993 905
Segment expenses	(145 000)	(452 584)	(597 584)
Total segment net income	84 821 830	16 574 491	101 396 321
Segment assets			
Financial assets at fair value through profit or loss	847 005 409	100 209 321	947 214 730
Loans to group companies	43 403 002	-	43 403 002
Total segment assets	890 408 411	100 209 321	990 617 732
2020 Reviewed			
Gains from financial assets at fair value through profit or loss	91 400 175	15 982 680	107 382 855
Interest income	2 708 811	-	2 708 811
Dividend income	-	3 600 000	3 600 000
Segment investment income	94 108 986	19 582 680	113 691 666
Segment other income	138 000	-	138 000
Segment total income	94 246 986	19 582 680	113 829 666
Segment expenses	(492 500)	-	(492 500)
Total segment net income	93 754 486	19 582 680	113 337 166
Segment assets			
Financial assets at fair value through profit or loss	503 774 338	3 746 257	507 520 595
Loans to group companies	40 253 541	-	40 253 541
Total segment assets	544 027 879	3 746 257	547 774 136
Total segment liabilities	(57 290 000)	(144 704)	(57 434 704)

Segment investment income is reconciled to total income before tax as follows:

	Aug 2021 Unaudited	Aug 2020 Reviewed
Segment investment income	101 993 905	113 829 666
Non-segment investment income	172 957	1 167 685
Total investment income	<u>102 166 862</u>	<u>114 997 351</u>
Segment expenses	(597 584)	(492 500)
Total expenses	<u>(10 180 746)</u>	<u>(11 433 252)</u>
Total expenses	<u>(10 778 330)</u>	<u>(11 925 752)</u>
Total income before tax	<u>91 388 532</u>	<u>103 071 599</u>

Reportable segment assets are reconciled to total assets as follows:

Segment assets for reportable segments	990 617 732	814 070 950
Other non-current assets	3 600 438	-
Other current assets	16 436 297	48 555 631
Total assets	<u>1 010 654 467</u>	<u>862 626 581</u>
Segment Liabilities for reportable segments	2 633 989	57 434 929
Liabilities	<u>81 506 673</u>	<u>48 493 929</u>
Total liabilities	<u>84 140 662</u>	<u>105 928 858</u>

4.22. Going Concern

The Board has undertaken a detailed review of the going concern capability of the Company with reference to certain assumptions and plans underlying various internal cash flow forecasts. These include an assessment of the various scenarios relating to the country's management of the COVID-19 pandemic. The increase in the vaccination rates is regarded as a material factor that minimises the potential of lengthy disruptions through lockdowns. The reduction in lockdowns has a positive impact on the business as it allows normal operating activities to continue in line with the Company's normal operating scale. Having assessed the variables and scenarios relating to COVID-19 in addition to internal projections and cash flow forecasts, the Directors have concluded that the going concern assumption remains the appropriate basis for preparing the financial statements of the company. The Company has no credit exposure covenants that it needs to comply with.

4.23. Events After the Reporting Period

Since the end of the financial reporting period on 31 August 2021, some significant events have materialised that the Directors would like to bring to the attention of all stakeholders.

Investment in LocumBase Proprietary Limited

The Company acquired 10% equity in a healthcare tech company, LocumBase Proprietary Limited, by buying 14 928 shares for a consideration of R4 million on the 1 October 2021. The Company provides LocumBase with a platform to provide services to hospitals. The transaction was financed through 100% equity.

B Class Share dividend

On the 26 November 2021 the Company declared the maiden dividend on the "B" Class Share. The unlisted 1 "B" Class Share is issued to the Company's management services provider – RH Bophelo Management Company Proprietary Limited ("Manco"), payable within 30 days of declaration date. The dividend has been calculated at an amount of R3,9 million based on the achievement of the NAV growth milestones as set out in the Company's pre-listing statement and Memorandum of Incorporation. The "B" Class Share dividend will accrue value when a 10% hurdle rate on NAV has been achieved on a cumulative annual basis from listing. The "B" Class Share dividend is calculated annually at a rate of 15% above any NAV growth above the hurdle rate of 10%.

The net asset value growth of R236,2 million (excluding all equity raise of R145 million and cumulative management fees of R17,1 million), represents an increase in net asset value from an initial listing of R500 million to R736,2 million. This increase in net asset value has resulted in the conditions of the dividend payout being met and the Board of directors has – in line with the Companies Act – approved the declaration of the dividend on 26 November 2021.

The Memorandum of Incorporation empowers the Board to declare the "B" Class Share dividend on an annual basis and to defer the payment to a later date. The Board has agreed to defer the payment of the R3,9 million, and as a result, the unpaid amount will be recognised as a liability accruing interest rate at prime plus 2 percent until settlement date.

4.24. Director changes

RM Nkadameng resigned as an Independent Non-Executive Director on 8 March 2021.

LR Maseko was appointed as an Independent Non-Executive Director of the Board and a member of the Audit and Risk Committee on 17 November 2021.

4.25. Dividends

Dividend of R9,7 million or Zar 15 cents per share was declared and paid during the current period to "A" Class shareholders.

On behalf of the Board

Quinton Zunga
CEO

Dion Mhlaba
CFO

Johannesburg
26 November 2021

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KD Mhlaba (Chief Financial Officer)
VP Nomvalo (Executive Director)
CW Clarke (Executive Director)
Dr SG Motuba (Lead Independent Non-Executive Director)
Dr KR Ntshwana (Independent Non-executive Director)
JR Oliphant (Non-Executive Chairman)
Dr PD Sekete (Non-Executive Director)
DM Lerutla (Independent Non-Executive Director)
B Segooa (Independent Non-Executive Director)
LR Maseko (Independent Non-Executive Director)

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