

## 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")



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### REVIEWED CONDENSED PROVISIONAL RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2020

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#### INTRODUCTION

The Board of Directors ("the Board") of the Company is pleased to present the provisional results for the year ended 29 February 2020.

The company seeks to generate returns for its shareholders through various investments in the healthcare and financial services sector. The company is involved in 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 in order to acquire various investments on behalf of the company.

RHB has been listed on the Johannesburg Stock Exchange ("JSE") since 12 July 2017, raising R500 million through the issue of 50 000 000 "A" ordinary shares at R10 a share, with a secondary listing on 1 June 2020 on the Rwanda Stock Exchange.

#### FINANCIAL OVERVIEW

The key financial indicators reflected in these financial results are:

- Net asset value increased by 22% year on year, from a balance of R530 million to R647 million;
- Investment income increased by 156% year on year, from R41 million to R105 million;
- Total income before tax increased by 221% year on year, from R28 million to R90 million;
- Total income after tax increased by 233% year on year, from R21 million to R70 million;
- Basic earnings per share and headline earnings per share increased by 212% year on year;
- Net asset value per share increased by 12%, current year R11,56 compared to prior year R10,34;
- The Company and its investments remain liquid and solvent, with sufficient resources to continue operating into the foreseeable future; and
- No dividends were declared in the current year period and prior year, as the company is still expanding its capital base, and taking advantage of opportunities in the healthcare and financial services sector.

#### INVESTMENTS AND LOANS

During the year, the company increased its investments in equities and provided additional loans to investee companies. New investments in unlisted investments (classified as financial assets at fair value through profit or loss) for the current year were R272,9 million (2019: R141,3 million) allocated as follows –

- Investment in RHFS – R3,7 million;
- Investment in RHBO – R266,7 million; and
- Investment in the RH12J fund – R2,5 million.

The additional investments were deployed to facilitate the following acquisitions:

New acquisitions made by RHFS:

- Wesmart Financial and Administration Solution Proprietary Limited ("Wesmart")

New acquisitions made by RHBO:

- RH Bell Hospital Proprietary Limited and Notamed Proprietary Limited ("RH Bell Hospital");
- BMC Gilliwe Proprietary Limited and Magnacorp Proprietary Limited ("Medicare Private Hospital");
- Fauchard Sentrum Proprietary Limited ("Fauchard Day Clinic"); and
- Phelang Bonolo Healthcare Procurement and Management Proprietary Limited ("Phelang Bonolo")

Additional investments made by RHBO:

- Africa Healthcare Proprietary Limited; and
- Vryburg Investment Holdings Proprietary Limited ("Vryburg Hospital").

## Loans provided to investee companies

The company provided loans amounting to R34 million to Africa Healthcare Proprietary Limited (R14 million) and Notamed Proprietary Limited (R20 million) to fund various operational requirements in line with its policy on the provision of financial assistance.

## PREPARATION

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

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

These condensed provisional annual financial results have been independently reviewed by our external auditor, Deloitte & Touche. A copy of their unmodified independent review conclusion is available from the Company's website [<https://www.rhbophelo.co.za/investment/investors>]. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the external auditor. The auditor's independent review report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that in order to get a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's independent review report together with the accompanying financial information from the Company's website <https://www.rhbophelo.co.za/investment/investors> ].

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 FEBRUARY 2020

	<i>Notes</i>	<b>Feb-20 R</b>	<b>Restated* Feb-19 R</b>
<b>Investment income</b>			
Interest income		21 526 749	24 490 345
Interest expense		(203 859)	-
Gains from financial instruments at fair value through profit or loss	6.3	84 063 771	16 596 791
<b>Total investment income</b>		<b>105 386 661</b>	<b>41 087 136</b>
<b>Other income</b>		<b>1 984 110</b>	<b>230 475</b>
<b>Expenses</b>			
Professional fees		(7 911 711)	(5 164 314)
Management fees		(3 374 698)	(4 363 015)
Other operating expenses		(5 625 633)	(3 647 227)
Total expenses	6.4	<b>(16 912 042)</b>	<b>(13 174 556)</b>
<b>Total income before tax</b>		<b>90 458 729</b>	<b>28 143 055</b>
Income tax		(20 469 771)	(6 982 166)
<b>Total income after tax</b>		<b>69 988 958</b>	<b>21 160 889</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>69 988 958</b>	<b>21 160 889</b>
<b>Earnings per share</b>			
<b>Per share information</b>			
Basic earnings per share (R)		1,31	0,42
Diluted earnings per share (R)		1,31	0,42

\*Refer to note 5 for the details of the restatement.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2020

	Notes	Feb-20 R	Restated* Feb-19 R
<b>Assets</b>			
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	6.1	509 735 040	157 896 791
Loans to group companies	6.2	35 945 632	-
		<u>545 680 672</u>	<u>157 896 791</u>
<b>Current assets</b>			
Loans to group companies	6.2	4 307 909	2 338 541
Other receivables		1 120 555	1 432 736
SARS receivable		-	332 216
Cash and cash equivalents		120 069 140	373 548 658
		<u>125 497 604</u>	<u>377 652 151</u>
<b>Total assets</b>		<u>671 178 276</u>	<u>535 548 942</u>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Stated capital		547 339 672	500 839 672
Retained income		99 269 172	29 280 214
<b>Total Equity</b>		<u>646 608 844</u>	<u>530 119 886</u>
<b>Non-current liabilities</b>			
Deferred tax		22 547 966	3 717 681
<b>Current liabilities</b>			
Other payables		1 582 078	1 711 375
SARS payable		439 388	-
		<u>2 021 466</u>	<u>1 711 375</u>
<b>Total liabilities</b>		<u>24 569 432</u>	<u>5 429 056</u>
<b>Total equity and liabilities</b>		<u>671 178 276</u>	<u>535 548 942</u>

\*Refer to note 5 for the details of the restatement.

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 29 FEBRUARY 2020

	<b>Stated capital</b>	<b>Retained income</b>	<b>Total</b>
Balance as at 1 March 2018	487 826 373	8 119 325	495 945 698
Shares issued	13 013 299	-	13 013 299
Total comprehensive income for the year	-	21 160 889	21 160 889
Balance as at 28 February 2019	500 839 672	29 280 214	530 119 886
Shares issued	46 500 000	-	46 500 000
Total comprehensive income for the year	-	69 988 958	69 988 958
Balance as at 29 February 2020	547 339 672	99 269 172	646 608 844

CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 29 FEBRUARY 2020

	<b>Feb-20</b>	<b>Feb-19</b>
	<b>R</b>	<b>R</b>
<b>Cash flows from operating activities</b>		
Total income before tax	90 458 729	28 143 055
<i>Non-cash items</i>		
Interest accrued on loans to group companies	(1 106 504)	-
Gains from financial instruments at fair value through profit or loss	(84 063 771)	(16 596 791)
<i>Changes in working capital</i>		
Decrease/(increase) in other receivables	312 181	(1 432 736)
Decrease in other payables	(129 297)	(1 406 345)
Cash generated from operations	5 471 338	8 707 183
Income tax paid	(867 882)	(3 596 701)
<b>Net cash generated from operating activities</b>	<u>4 603 456</u>	<u>5 110 482</u>
<b>Cash flows from investing activities</b>		
Increase in investments in financial instruments at fair value through profit or loss	(226 421 515)	(128 286 701)
Loans to group companies repaid	2 338 541	-
Loans to group companies issued	(34 000 000)	(2 338 541)
<b>Net cash utilised from investing activities</b>	<u>(258 082 974)</u>	<u>(130 625 242)</u>
<b>Net decrease in cash and cash equivalents</b>	(253 479 518)	(125 514 760)
Cash and cash equivalents at the beginning of the year	373 548 658	499 063 418
<b>Cash and cash equivalents at the end of the year</b>	<u><b>120 069 140</b></u>	<u><b>373 548 658</b></u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The reviewed provisional financial results have been prepared in accordance with the framework concepts 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 SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial 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, and the presentation and disclosure requirements of IAS 34 *Interim Financial Reporting*.

The reviewed provisional financial results have been prepared on the historic cost basis except that financial assets at fair value through profit or loss are stated at their fair value. The results are presented in Rand, which is the Company's functional and presentation currency. The prior year has been restated, please refer to note 5 for additional disclosure.

### 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements includes the determination of fair value for assets that are carried at fair value through profit or loss.

#### 2.1 Investment entities

The company and its subsidiaries – RH Bophelo Operating Company (RHBO) and RH Bophelo Financial Services (RHFS) are classified as investment entities in line with IFRS 10 *Consolidated Financial Statements*.

According to IFRS 10, an investment entity which acquires an interest in a subsidiary and/(or) associate shall be exempt from consolidation or equity accounting in terms of amendments to IFRS 10, IFRS 12 and IAS 28 and shall measure an investment in a subsidiary and/(or) associate at fair value through profit or loss.

An investment entity is defined as an entity that:

- obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- commits to its investors that its business purpose is to invest in companies solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates the performance of substantially all its investments on a fair value basis.

After conducting an assessment of the company's activities and business purpose, the Board of Directors have concluded that the company meets the definition of an investment entity as per IFRS 10 based on the following factors:

- The company obtained funds from more than one investor with the purpose of providing those investors with investment management services;
- The company also committed to its investors that its business purpose is to invest in commercially viable healthcare and financial assets that are cashflow positive or will be cashflow positive within 12 months; and
- The company measures and evaluates the performance of all its investments on a fair value basis.

Furthermore, the company has more than one investment; the company also has more than one investor and those investors are not related parties and finally our interest is mainly in equity form in all our investments. The company's approved investment policy, documents the company's exit strategy.

The company has setup RHBO and RHFS as separate legal entities inline with the business model for managing healthcare and financial services as a discrete business segments. RHBO and RHFS also committed to its investors that its business purpose is to invest in commercially viable healthcare and

financial assets that are cashflow positive or will be cashflow positive within 12 months; and measures and evaluates the performance of all its investments on a fair value basis.

Based on the above assessment it was concluded that the company and its subsidiaries (RHBO and RHFS) are investment entities and is therefore exempt from consolidation in line with IFRS 10.31. The underlying investments in subsidiaries and associates held by the company are accounted for as financial assets measured at fair value through profit or loss in accordance with IFRS 9. Additionally, as RHBO and RHFS are investment entities in their own capacity that have been structured separately in order to distinguish between the healthcare and the financial services portfolio, they are accounted for at fair value through profit or loss.

The company received its investment management services from RH Bophelo Management Company Proprietary Limited ("RHBM"), an entity that is not controlled by the company. The investment management company is an autonomous entity, that is not influenced or controlled by RH Bophelo Limited, as RH Bophelo has no shareholding or managerial involvement in RHBM. RHBM is able to provide investment management services and to raise capital for parties other than RH Bophelo. As a result, even though RH Bophelo Management Company Proprietary Limited provides management services to the company, it is not a service subsidiary in terms of IFRS 10 and is therefore not consolidated.

## 2.2 Unlisted investments

In valuing unlisted investments which form part of the financial assets of the company, key assumptions and judgements are applied in determining the weighted average cost of capital ("WACC"), terminal growth rate, EBITDA, compounded annual growth rate ("CAGR") and capitalisation rates to be used in the sum of the parts valuation.

The basis for valuing unlisted investments is fair value. At the reporting date, an assessment is made of the value of each investment to determine any changes required in the fair value of the investments. Judgment is applied in identifying the most appropriate valuation method to determine the fair value of each investment. The company considers the different valuation methods ranging from the earnings multiple method, the earnings yield method and the discounted cash flow method. In the current year, the company has applied the discounted cash flow method for all its investments. This ensures consistency and comparability across different investments across the two segments.

The company uses a sum of the parts (SOTP) valuation method, where all the different investee company businesses and properties held are valued separately and then added together, less any net debt in order to calculate the total value of the company. The cash flows of the different businesses are valued using a DCF method, whilst the properties are valued on the capitalisation rate method.

The discounted cash flow method is used to derive the enterprise value of each investment using reasonable assumptions that are supported by external, third party inputs when applicable. Such inputs include market yields on corporate bonds, economic growth estimates provided by the SA Reserve Bank, and estimations of inflation rates over the investment horizon. In deriving the enterprise value, judgment is applied in estimating future post-taxation cash flows and the terminal value (free cash flows available to the company), and then discounting to the present value by applying an appropriate risk-adjusted rate that captures the risk inherent to the company's projected weighted average cost of capital ('WACC'). To arrive at an equity value, an adjustment for net debt is made to arrive at an appropriate equity value.

To provide an illustration of the sensitivity of the recognised fair values to changes in inputs, the company has identified key inputs used in computing the DCF valuations and provided a sensitivity analysis based on changes – both favourable and unfavourable – to the inputs. The details of significant inputs are contained under note 6.1.

## 3. ACCOUNTING POLICIES

Other than the accounting policies relating to leases, the principal accounting policies set out below, have been applied consistently for all periods presented in these financial statements.

### 3.1 Investment entity

The company is an investment entity as defined in IFRS 10. As a result, the company applies the consolidation exemption for its investments in subsidiaries and applies the equity-accounting exemption for its investments in associates. By applying the exemption, the company accounts for investments in associates and subsidiaries as financial assets at fair value through profit or loss.

Details regarding the classification of the company as an investment entity are contained in the section on 'Critical accounting judgements and key sources of estimation uncertainty'.

## 3.2 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instruments.

### Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans to group companies, and trade and other payables. Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instruments.

### Financial assets

The company classifies its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The company's financial assets are classified into the following specified categories:

- financial assets at amortised cost; and
- financial assets at fair value through profit or loss.

The company classifies financial assets as held at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets which do not meet the requirement to be classified as financial assets held at amortised cost are carried at fair value through profit or loss.

At 29 February 2020, the company's financial assets comprised of the following:

- Investments in associates and subsidiaries – classified at fair value through profit or loss;
- Loans to group companies – classified at fair value through profit or loss;
- Other receivables – classified at amortised cost; and
- Cash and cash equivalents – classified at amortised cost.

### Financial liabilities

The company classifies financial liabilities as financial liabilities measured at amortised cost.

### Initial measurement

Financial instruments are initially measured at fair value. For financial instruments that are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument. Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss. Transaction costs associated with the issue of the company's own equity instruments are set off against the proceeds from the issue of equity instruments.

The transaction price of the consideration received or given in exchange for a financial instrument, is generally regarded as the fair value of the financial instrument. However, the company occasionally provides financial support to investee companies on terms that are different from market-related terms.

When the fair value of the financial instrument differs from the transaction price at initial recognition, the company accounts for the Day 1 gain or loss as a deferred gain or loss in line with IFRS 9. For transactions between equity participants, the deferred gains and losses are presented as an adjustment to the carrying amount of the investment.



## Subsequent measurement

Financial assets and financial liabilities are subsequently measured in accordance with the initial classification category.

- A gain or loss on a financial asset that is classified and measured at fair value through profit or loss will be recognised in profit or loss;
- Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest rate method; and
- Financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

As an investment entity, the company measures its investments in associates and subsidiaries at fair value through profit or loss. Loans to investee companies are not held under a business model of collecting contractual cash flows made up solely of interest and principal. Rather, they are managed on a basis similar to the measurement of the performance of the investee companies. Such loans are therefore classified and subsequently measured at fair value through profit or loss.

### 3.2.1 Loans to group companies

The company provides loans to investee companies based on the needs to fund critical projects at the investee companies. In providing the loans, the company regards the financial assistance as a necessary intervention in ensuring that the investee companies can maximise returns which in turn, improves the generation of investment income and capital appreciation for the company. The intention of the company is not the recovery of the contractual cashflows (capital and interest), but mainly to facilitate growth capital to investee companies for expansion purposes. In line with its strategy of monitoring the performance of the investee companies on a fair value basis, the company measure the loans advanced to investee companies as financial assets at fair value through profit or loss.

This is primarily due to the fact that the measurement of the loans at fair value is more reflective of the way the company measures and monitors its investments in associates and subsidiaries. Additionally, the focus on the evaluation and management of the performance of the associates and subsidiaries, rather than the nature of the loans advanced to the the investee companies, results in more relevant information for the company and its shareholders.

The valuation process for the loans to group companies is further explained in note 6.2, disclosed in terms of IFRS 7 and IFRS 13. The company recognises Day 1 gains and losses on all loans to group companies where the transaction price differs from the fair value of the loan. When such transactions involve equity participants, the deferred gains and losses are presented as an adjustment to the carrying amount of the investment.

### 3.2.2 Unlisted investments

The company's unlisted investments are investments in subsidiaries and associates. As the company is an investment entity the subsidiaries are not consolidated, and the associates are not equity-accounted. Rather the investments are classified as financial assets at fair value through profit or loss.

Beyond initial measurement, the company determines the fair value of each investment on a continuous basis. The valuation techniques applied to the valuation of each investment incorporate level 3 inputs. The allocation of a valuation input into the fair value hierarchy is determined on the level of the lowest level input that is significant to the fair value measurement in its entirety. Fair value changes are accounted for in profit or loss for the year. Refer to 6.1.

## 3.3 Segment reporting

The company's executive committee – as the Chief Operating Decision-Maker (CODM) – has identified the following components as operating segments both for management and external reporting purposes:

- Healthcare segment – focusing on investments in healthcare infrastructure, and property companies; and
- Financial services segment – focusing on investments in insurance and financial services relating to healthcare.

### 3.4 Leases

IFRS 16 *Leases* replaced the previous standard on leasing arrangements IAS 17 *Leases*.

For all rental arrangements in which the company is a party, the company assesses whether it is or contains a lease. An agreement is or contains a lease if it transfers the right to control the use of an asset identified by a period of time in exchange for consideration. The company once again reassesses if an agreement is or contains a lease only if the terms and conditions of the agreement change.

In the current year there was only one lease that is short-term in nature. The short-term exemption allowed by IFRS 16 was applied in respect of this lease and as a result, no amounts have been recognised for the right-of-use asset and the finance lease liability.

## 4. NEW STANDARDS AND INTERPRETATIONS

The following accounting standards and amendments became effective during the current year.

New standards issued and effective:

- IFRS 16 *Leases*; and
- IFRIC 23 *Uncertainty over Income Tax Treatments*.

Amendments to existing standards:

- Annual improvements to IFRS Standards (2015 – 2017);
- IFRS 9: Prepayment Features with Negative Compensation;
- IAS 19: Plan Amendment, Curtailment or Settlement; and
- IAS 28: Long-term Interests in Associates and Joint Ventures.

The adoption of these new standards had no material impact on the company and its financial results.

## 5. RESTATEMENT AND JSE PROACTIVE MONITORING

### Restatement of prior results

The prior year restatement is on the basis of the presentation of the statement of profit or loss and other comprehensive income and statement of financial position when compared to the last year Reviewed Provisional Results ("Reviewed"). This restatement does not result in a change in amounts recognised in the prior year audited financial statements.

In the statement of profit or loss and other comprehensive income:

In the prior year Reviewed, the amounts relating to 'gains from financial instruments at fair value through profit or loss' of R16 596 791 and 'other income' of R230 475 were disclosed under a single line called 'other income' in 2019.

In statement of financial position:

In the prior year Reviewed, amounts relating to 'Other payables' of R1 711 375 and 'Deferred tax' of R3 717 681 were disclosed under 'current and non-current liabilities', rather than as components of discrete sub-headings of current and non-current. Similarly, 'other payables' and 'deferred tax' were disclosed under the heading non-current and current liabilities; rather than under the sub-headings non-current liabilities and current liabilities. In this announcement, the current and non-current liabilities, have been presented under discrete sub-headings.

### JSE Proactive Monitoring

The JSE proactive monitoring report reviewed the 2019 audited financial statements, where disclosure deficiency was identified. In the current year, the following additional notes have been disclosed compared to the prior year reviewed financial statements: updated accounting policies, loans to group companies, gains from financial instruments at fair value through profit or loss, total expenses, stated capital and commitments and financial support.

## 6. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 6.1. Financial assets at fair value through profit or loss – investments in equity instruments

	<b>Feb-20</b>	<b>Feb-19</b>
	<b>R</b>	<b>R</b>
Opening balance	157 896 791	-
Additions – acquired in shares	46 500 000	13 013 299
Additions – acquired in cash	226 421 515	128 286 701
Day 1 Gains*	(5 768 178)	-
Fair value gains	84 684 912	16 596 791
Closing balance	509 735 040	157 896 791

Additions include investments in unlisted equities for the current year in RHBO, RHFS and RH 12J. The investments are measured at fair value through profit or loss. The investments under RHBO have been designated into healthcare investments portfolio and RHFS have been designated into 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; are presented as an adjustment to the carrying amount of the investments (see Notes 3.2 and 6.2)

#### Investments in unlisted equity instruments – reconciliation

##### 2020

R	Opening balance	Additions	Fair value	Day 1 Gains	Closing balance
RHFS	-	3 650 000	96 257		3 746 257
RHBO	157 896 791	266 771 515	84 874 210	(5 768 178)	503 774 338
RH 12J	-	2 500 000	(285 555)		2 214 445
Closing balance	157 896 791	272 921 515	84 684 912	(5 768 178)	509 735 040

##### 2019

R	Opening balance	Additions	Fair value	Closing balance
RHBO	-	141 300 000	16 596 791	157 896 791
	-	141 300 000	16 596 791	157 896 791

In the 2019 annual financial statements, a loan made by RHBO to a consortium of doctors to fund the acquisition of their stake in an investment in Vryburg Hospital, was erroneously noted as a loan made by RH Bophelo (“the company”) in the notes to the annual financial statements. Such an error related to the presentation of the balance of the loan (R5 042 230) and did not impact on the reported profit for the year and the fair value of the investments made by the company. Due to its nature as a presentation matter, the error is not regarded as material and no restatement has been processed in the financial statements. The note disclosure for the prior year has been updated in relation to this amount.

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 annual financial statements. To aid stakeholders understand the significant unobservable inputs that influence the valuation process, the company has identified the key inputs used in the valuations. A sensitivity analysis on this input has been prepared and disclosed in order to illustrate the potential impact of the changes to this 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 (2020)	Range used (2019)
Capitalisation rate	10% to 12%	11%
TGR (Terminal Growth rate)	5,1%	6% to 7,5%
WACC (Weighted Average Cost of Capital)	16,9% to 22,2%	18,3 to 19,4%
EBITDA (Earnings before interest, tax, depreciation and amortisation)	8%	10%
Market interest rate	9,75% to 10,75%	10% to 10,25%

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% – 12%	Decrease by 25 basis points, will result in an increase in the value of investments at year-end.	Increase by 25 basis points, will result in a decrease in the value of investments at year-end.
Terminal Growth rate	5,1%	Increase by 25 basis points, will result in an increase in the value of investments at year-end.	Decrease by 25 basis points, will result in a decrease in the value of investments at year-end.
WACC (range)	16,9% – 22,2%	Decrease by 25 basis points, will result in an increase in the value of investment at year-end.	Increase by 25 basis points, will result in a decrease in the value of investments at year-end.
EBITDA	8%	Increase by 250 basis points, will result in a increase in the value of investments at year-end.	Decrease by 250 basis points, will result in an decrease in the value of investment at year-end.
Using the seven year compounded annual growth rate on EBITDA			
Market interest rate (Prime + 1%) (Applicable to group loans)	9,75% – 10,75%	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.

*Sensitivity analysis provided as part of the JSE Proactive monitoring, refer to note 5.*

*# The capitalisation rate is used in the valuation 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	Feb-20		Feb-19	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Capitalisation rate	11 854 303	(11 327 445)	3 672 018	(3 508 818)
Terminal growth rate*	4 519 454	(4 023 933)	1 399 957	(1 246 464)
WACC	8 213 262	(7 573 753)	2 544 160	(2 346 064)
EBITDA	12 512 709	(12 189 157)	3 947 420	(3 789 523)
<b>Total</b>	<b>37 099 728</b>	<b>(35 114 288)</b>	<b>11 563 556</b>	<b>(10 890 869)</b>
<b>Current fair value as at year end</b>	<b>509 735 040</b>	<b>509 735 040</b>	<b>157 896 791</b>	<b>157 896 791</b>
Fair value after accounting for total effect of changes in inputs	546 834 768	474 620 752	169 460 347	147 005 922

\*The sensitivity analysis relating to the terminal growth rate was applied on the terminal value for all investments of R209 517 476 (prior year: R81 407 741).

6.1.1 Summary of significant investments

2020

Entity	Description	Economic interest	Fair value at year end (R)	WACC	Proportion of total investments
<b>Investments in subsidiaries*</b>					
Africa Healthcare Proprietary Limited	Operates and owns hospitals, pharmaceuticals	100%	224 517 546	17,2%	44%
Medicare Private Hospital	Hospital services and investment property	51%	120 282 740	16,9%	24%
RH Bell Hospital	Hospital services and investment property	100%	39 088 060	19%	8%
Fauchard Day Clinic	Hospital services and investment property	100%	28 452 081	20,2%	6%
Vryburg Investment Holdings	Hospital services and investment property	81%	26 545 792	17,2%	5%
<b>Investments in Associates*</b>					
Rondebosch Medical Centre Proprietary Limited	Hospital services	30%	46 130 735	18,3%	9%

2019

Entity	Description	Economic interest	Fair value at year end (R)	WACC	Proportion of total investments
<b>Investments in subsidiaries*</b>					
Africa Healthcare	Operates and owns hospitals, pharmaceuticals	60%	95 489 661	18,3%	60%
Vryburg Hospital	Hospital services and investment property	76%	27 154 529	19,1%	17%
<b>Investments in Associates*</b>					
Rondebosch Medical Centre	Hospital services	30%	35 000 000	19,4%	22%

\*Each of the investment listed here represent atleast 5% of the total value of the investments at fair value through profit or loss. The DCF method was used to value all investments with a terminal growth rate of 5,1%.

### 6.1.2 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 –

Entity	Total fair value at year-end	Property value included in valuation	Capitalisation rate	Changes in capitalisation rate	
				Favourable (-250 bps)	Unfavourable (+250 bps)
2020					
Africa Healthcare Proprietary Limited	224 517 546	11 000 000	12%	234 043	(224 490)
Vryburg Investment Holdings	26 545 792	22 906 800	11%	532 716	(509 040)
Medicare hospital	120 282 740	50 457 715	10%	1 293 788	(1 230 676)
RH Bell Clinic	39 088 060	34 000 000	12%	755 556	(723 404)
Fauchard Clinic	28 452 081	13 000 000	12%	288 889	(276 596)

Entity	Total fair value at year-end	Property value included in valuation	Capitalisation rate	Changes in capitalisation rate	
				Favourable (-250 bps)	Unfavourable (+250 bps)
2019					
Vryburg Investment Holdings	27 154 529	22 906 800	11%	477 209	(456 000)

*Sensitivity analysis provided as part of the JSE Proactive monitoring, refer to note 5.*

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 most significant financial assets (each making up at least 5% of the total investments. 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

**2020:**

<b>Entity</b>		<b>WACC</b>		<b>EBITDA</b>		<b>TGR</b>	
<b>Subsidiary</b>	<b>Total fair value at year-end</b>	<b>Favourable -0,25%</b>	<b>Unfavourable +0,25%</b>	<b>Favourable +0,25%</b>	<b>Unfavourable -0,25%</b>	<b>Favourable +0,25%</b>	<b>Unfavourable -0,25%</b>
Africa Healthcare Proprietary Limited	224 517 546	3 519 310	(4 768 836)	7 049 825	(7 079 825)	2 246 292	(2 155 443)
Vryburg Investment Holdings	26 545 792	206 493	(283 882)	428 852	(438 852)	143 667	(137 969)
Medicare hospital	120 282 740	1 419 415	(1 744 523)	1 866 691	(1 966 691)	919 392	(881 124)
RH Bell Clinic	39 088 060	438 914	(576 060)	779 500	(779 916)	272 040	(262 402)
Fauchard Clinic	28 452 081	342 962	(436 485)	532 691	(536 951)	182 148	(176 223)
<b>Associate</b>							
Rondebosch Medical Centre Proprietary Limited	46 786 000	879 844	(1 099 905)	1 293 576	(1 393 576)	496 374	(477 868)

**2019**

<b>Entity</b>		<b>WACC</b>		<b>EBITDA</b>		<b>TGR</b>	
<b>Subsidiary</b>	<b>Total fair value at year-end</b>	<b>Favourable -0,25%</b>	<b>Unfavourable +0,25%</b>	<b>Favourable +0,25%</b>	<b>Unfavourable -0,25%</b>	<b>Favourable +0,25%</b>	<b>Unfavourable -0,25%</b>
Africa Healthcare Proprietary Limited	95 489 661	1 888 944	(1 648 003)	858 178	(1 013 926)	1 040 331	(831 773)
Vryburg Investment Holdings	27 154 529	251 403	(240 980)	438 852	(436 850)	143 667	(137 969)
<b>Associate</b>							
Rondebosch Medical Centre Proprietary Limited	35 000 001	658 200	(822 825)	477 512	(96 771)	728 818	(847 682)

In the prior year, the sensitivities were based on +5% and -5%, in order to maintain consistency with the current year disclosure, an average current year movement based on +0,25% and -0,25% have been applied..

## 6.2. Loans to group companies

	<b>Feb-20</b>	<b>Feb-19</b>
	<b>R</b>	<b>R</b>
Opening balance	2 338 541	-
New loans provided to group companies	34 000 000	2 338 541
Day 1 gains	5 768 178	-
Repayments	(2 338 541)	-
Interest accrued	1 106 504	-
Fair value loss	(621 141)	-
Closing balance	<u>40 253 541</u>	<u>2 338 541</u>

In determining the Day 1 gains or losses and the fair value adjustments; the company discounts all expected cash flows at the market-related rate to determine the fair value of each loan. In cases where there is a difference between the actual loan advanced (transaction price) and present value of the cash flows discounted at the market rate (fair value); a Day 1 gain or loss is recognised.

When the fair value of the loan differs from the transaction price at initial recognition, the company accounts for the Day 1 gain or loss as a deferred gain or loss in line with IFRS 9. Such gains and losses are deferred until the loan is derecognised, unless the fair value of the loan is determined using observable inputs (level 1 in the fair value hierarchy), in which case the gains or losses are recognised immediately in profit or loss. For transactions between equity participants, the deferred gains and losses are presented as an adjustment to the carrying amount. This policy was adopted for the first time in the 2020 financial year.

At the end of the financial period, 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.

	<b>Feb-20</b>	<b>Feb-19</b>
	<b>R</b>	<b>R</b>
<b>Classification</b>		
Current assets	4 307 909	2 338 541
Non-current assets	35 945 633	-
	<u>40 253 541</u>	<u>2 338 541</u>

The classification between current and non-current assets is based on the expected date of settlement. Any amounts due within 12 months which are made up of any capital and interest are classified as current; the remainder is classified as non-current.

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 the 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.

<b>R</b>	<b>Feb-20</b>		<b>Feb-19</b>	
	Favourable changes (+)	Unfavourable changes (-)	Favourable changes (+)	Unfavourable changes (-)
Market interest rate (prime + 1%)	337 170	(347 280)	19 588	(20 175)
<b>Current fair value as at year end</b>	<b>40 253 541</b>	<b>40 253 541</b>	<b>2 338 541</b>	<b>2 338 541</b>
Fair value after accounting for total effect of changes in inputs	40 590 711	39 906 261	2 358 129	2 318 366



### 6.3 Gains from financial instruments at fair value through profit or loss

	<b>Feb-20</b>	<b>Feb-19</b>
	<b>R</b>	<b>R</b>
Fair value gains on unlisted equities	84 684 912	16 596 791
Fair value losses on group loans	(621 141)	-
	<u>84 063 771</u>	<u>16 596 791</u>

Refer to 5.1 and 5.2 for details in fair value movements.

### 6.4 Total expenses

Total expenses included the following

	<b>Feb-20</b>	<b>Feb-19</b>
	<b>R</b>	<b>R</b>
Management fees**	3 374 698	4 363 015
Office rent*	453 179	429 826

\* The company has entered into a short-term lease and has elected to apply IFRS 16.6 (short-term recognition exemption) and recognises the lease payment as an expense on a straight-line basis over the lease term.

\*\* Management fees are calculated between 0,7% to 1% per quarter based on the total issued capital and are payable to RH Bophelo Management Company.

### 6.5 Related Parties

Related party balances reflected on the statement of financial position

	<b>Feb-20</b>	<b>Feb-19</b>
	<b>R</b>	<b>R</b>
Accounts payable		
RH Bophelo Operating Company Proprietary Limited (subsidiary)	(201 800)	-
Accounts receivable		
RH Bophelo Management Company Proprietary Limited*	-	14 286
Loans to group companies		
RH Bophelo Operating Company Proprietary Limited (subsidiary)	-	2 338 541
Africa Healthcare Proprietary Limited (subsidiary)	16 241 362	-
Notamed Proprietary Limited (subsidiary)	24 011 909	-
	<u>40 051 471</u>	<u>2 352 827</u>

Related party transactions with an impact on the statement of profit or loss

	<b>Feb-20</b>	<b>Feb-19</b>
	<b>R</b>	<b>R</b>
Interest income		
Africa Healthcare Proprietary Limited (subsidiary)	1 503 269	-
Notamed Proprietary Limited (subsidiary)	746 809	-
Interest expense		
Medicare Private Hospital (subsidiary)	(203 859)	-
Other income		
Africa Healthcare Proprietary Limited (subsidiary)	-	8 640
Rondebosch Medical Centre (associate)	255 800	207 000
Expenses		
RH Bophelo Operating Company Proprietary Limited (subsidiary)	-	(1 138 747)
RH Bophelo Management Company Proprietary Limited*	(3 374 698)	(4 363 015)
RH Managers Proprietary Limited**	(453 179)	(429 826)
	<u>(1 525 858)</u>	<u>(5 715 948)</u>

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

\*RH Bophelo Management Company Proprietary Limited ("RHBM") provides investment management services, including portfolio management. Management fees are calculated between 0,7% to 1% per quarter based on the total issued capital.

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

The following related party disclosure were omitted in the prior year disclosures and have been disclosed to aid stakeholders understand the nature of related party transactions from 2019:

Other income from Africa Healthcare Proprietary Limited of R8 640

- Other income from Rondebosch Medical Centre of R207 00
- Expenses in respect of RH Bophelo Operating Company Proprietary Limited of R1 138 747
- Expenses in respect of RH Managers Proprietary Limited of R429 826.

## 6.6. 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 identified operating segments based on the internal reports that are reviewed by the executive committee and used to inform decision-making. The executive committee regards the business as consisting of 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 in the fair value of underlying investments in associates and subsidiaries, plus any interest income. In the prior year, all the company's activities were conducted through RHBO and no discrete operating segments were identified. During the current year, the company added a new segment (financial services segment) relaying primarily to the activities conducted through RHFS, as a result the company is presenting the segment report for the first time.

The segment information provided to the CODM for the year ended 29 February 2020 is as follows:

	<b>Healthcare segment</b>	<b>Financial services segment</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>2020 reconciliation</b>			
Gains from financial instruments at fair value through profit or loss	84 253 069	96 257	84 349 326
Interest income	2 234 997	-	2 234 997
Segment investment income	86 488 066	96 257	86 584 323
Segment other income	1 712 897	-	1 712 897
Segment income	88 200 963	96 257	88 297 220
Segment expenses	(3 484 641)	(173 000)	(3 657 641)
<b>Total segment net income</b>	<b>84 716 322</b>	<b>(76 743)</b>	<b>84 639 579</b>
<b>Segment assets</b>			
Investments 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
<b>Total segment assets</b>	<b>544 027 879</b>	<b>3 746 257</b>	<b>547 774 136</b>

2019: In the prior year, all the company's activities were conducted through RHBO and no discrete operating segments were identified, as a result there is no comparative segment report.

Reportable segment income and expenses are reconciled to total income and expenses as follows

	<b>Feb-20</b>	<b>Feb-19</b>
	<b>R</b>	<b>R</b>
Segment investment income	86 584 323	16 596 791
<i>Non-segment investment income</i>		
Losses from financial instruments at fair value through profit or loss	(285 555)	-
Interest income	19 087 893	24 490 345
Total investment income	105 386 661	41 087 136
Segment other income	1 712 897	-
Non-segment other income	271 213	230 475
<b>Total income</b>	<b>107 370 771</b>	<b>41 317 611</b>
Segment expenses	(3 657 641)	(13 174 556)
<i>Non-segment expenses</i>	(13 254 401)	-
Expenses	(16 912 042)	(13 174 556)
<b>Total income before tax</b>	<b>90 458 729</b>	<b>28 143 055</b>

Reportable segment assets are reconciled to total assets as follows:

	<b>Feb-20</b>	<b>Feb-19</b>
	<b>R</b>	<b>R</b>
Segment assets for reportable segments	547 774 136	535 548 942
Other Investments at fair value through profit or loss	2 214 445	-
Other current assets	121 189 695	-
<b>Total assets</b>	<b>671 178 276</b>	<b>535 548 942</b>
Total liabilities	24 569 432	5 429 056

## 6.7. Stated Capital

The company's authorised stated capital is 10 000 000 000 "A" no par value ordinary shares with voting rights. (2019: 10 000 000 000 "A" no par value ordinary shares with voting rights). The company also has 1 "B" restrictive class of shares with voting rights. (2019: 1 "B" restrictive class of shares with voting rights) held by RH Bophelo Management Company proprietary limited. The B share provides an incentive to the management company for investing and managing the portfolio into viable businesses that attract income and capital appreciation above a hurdle rate of 10%.

During the year, the company issued 4 684 179 shares at an average price of R9,93 per share (2019: 1 250 000 shares at an average price of R10 per share) to fund the acquisitions of Africa Healthcare Proprietary Limited and Medicare Private Hospital. The total number of ordinary shares in issue as at 29 February 2020 is 55 934 179 (2019: 51 250 000).

The net asset value per share for the current year of R11,56 (prior year: R10,34), was calculated using a total issued shares of 55 934 179 (prior year: 51 250 000). The tangible net asset value per share for the current year of R11,56 (prior year: R10,34), was calculated using a total issued shares of 55 934 179 (prior year: 51 250 000).

## 6.8. Basic and Headline Earnings Per Share

The calculation of basic and headline earnings per ordinary share is based on earnings of R69 988 958 (2019: R21 160 889) and a weighted average number of shares in issue of 53 592 090 (2019: 50 938 356). The basic and headlines earnings per share is 131 cents (2019: 42 cents).

## 6.9. Commitments and financial support

The company provides financial support to investee companies in line with its policy on financial assistance. During the 2020 financial period, the financial support was provided in the form of equity injections, loans, guarantees and loan commitments. This note is being disclosed for the first time in 2020 financial statements, inline with the JSE Proactive monitoring.

The company has provided financial assistance to its unconsolidated subsidiaries through equity, loans and guarantees.

- There no restrictions on the loans.
- In line with the company and group policy on intercompany loans, section 45 of the Companies Act is applied for each form of financial assistance approved within the group and between group companies.
- Currently the company has no commitment to provide any of its subsidiaries with financial assistance, nor commitment to assist their subsidiaries to obtaining financial support.
- The company has no contractual obligation to provide financial support to its subsidiaries.

A summary of transactions for financial support are as follows –

Name of subsidiary	Nature of financial support		Purpose for financial support
	Equity	Loan	
Africa Healthcare Proprietary Limited	-	14 000 000	Expansion
Notamed Proprietary Limited	-	20 000 000	Expansion
RH Financial Services Proprietary Limited	3 650 000	-	Expansion
RH 12J Limited	2 500 000	-	Expansion
RH Bophelo Operating Company Proprietary	266 771 515	-	Expansion

The loans to Africa Healthcare and Notamed are interest-bearing loans with an interest rate of 15% per annum and are repayable after 5 years from the date of issue.

At 29 February 2020, the company had no outstanding loan commitments to investee companies. In the prior year, a loan commitment of R20 million had been made in favour of Africa Healthcare Proprietary Limited.

In the current year, the company provided a R3 million corporate guarantee on behalf on Wesmart in support of its cell captive agreement with Genric Insurance on actual losses. At yearend there was no expected underwriting losses.

## 6.10. 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.

The Board has not identified any events or conditions that individually or collectively cast significant doubt on the ability of the Company to continue as a going concern. The impact of this classification is that the decline in occupancy rates and capacity utilisation was marginal and all units continued to operate within the normal range. To this end, the going concern assumption has been determined to be the appropriate basis for financial reporting as at 29 February 2020.

## 6.11. Events After the Reporting Period

Since the end of the financial reporting period on 29 February 2020, three significant events have materialised that the directors wish to bring to the attention of all stakeholders.

### Corporate events

The company has concluded the following acquisitions in the period between 29 February 2020 and the publication of this set of annual results:

- On 13 March 2020, RHFS completed the acquisition of 25% of the issued share capital in Genric Insurance Company Limited ("Genric") for a total consideration of R52,5 million, consisting of cash of R45 million and an interest bearing shareholders loan of R7,5 million at an interest rate of prime less 3.5%. The R7,5 million will be in exchange for an issue of RH Bophelo shares;
- On 28th March 2020, RHBO finalised the acquisition of 70% of Rondebosch Medical Centre Proprietary Limited from existing shareholders for a total consideration of R93,75 million, made up of R15 million in cash payable immediately, R21,46 million to be settled through the issue of RH Bophelo shares issued at R9,85 each; and balance of R57,29 million to be paid in cash or RH Bophelo shares at RH Bophelo's election by no later than 31 July 2020; and
- The company approved a financial assistance package of R10 million to support its investments through the Covid period. The support will be allocated to investee companies that will require a short term financial support in order to manage their liquidity and working capital. As at reporting date, only R3 million had been disbursed.

### Secondary listing

The company concluded its secondary listing on the Rwanda Stock Exchange ("RSE") ("RSE Listing"). The company's primary listing and exchange will remain as the JSE with the RSE Listing being a secondary listing ("Secondary Listing"). The purpose of the RSE Listing is to facilitate the company's A Ordinary Shares ("Shares") to be available to the wider East African public, to further diversify its investor base and provides an easy and efficient way for the company's stakeholders and partners in the region to participate beneficially in the growth and fortunes of the company through ownership. No amount was raised at the listing, this was an introductory listing.

The Secondary Listing has no impact in the 29 February 2020 financial statements.

### The outbreak of the Coronavirus pandemic

Effect on the going concern assessment

The outbreak of the Covid-19 ("Coronavirus") in December 2019 has had profound consequences for the world at large. The various measures implemented in order to contain the spread of the outbreak, have fundamentally altered the way societies, governments and policymakers interact and collaborate with each other. The measures that have been implemented – ranging from the healthcare-specific measures to the broader measures aimed at containing the resultant economic and social impacts – have forced all stakeholders to revisit their place in the global health and socioeconomic value chain. In South Africa, the measures implemented have been lauded by the World Health Organisation for their promptness and effectiveness.

In the aftermath of the Coronavirus outbreak, the Board has revisited the key ratios used in the assessment – solvency, profitability and liquidity indicators – and concluded that they remain within the range that the Board deems appropriate to support the going concern assumption. A key factor in this assessment was the fact that the company's operating units are in the healthcare sector and were classified as essential services, whilst the financial services sector continued to operate. The impact of this classification is that the decline in occupancy rates and capacity utilisation was marginal and all units continued to operate within the normal range. To this end, the going concern assumption has been determined to be the appropriate basis for financial reporting as at 29 February 2020.

### *Application of IAS 10 Events after the Reporting Period*

IAS 10 *Events after the Reporting Period* is the accounting standard that guides how companies need to account for events that occur from its reporting date (29 February 2020) to the date of the publication of the annual financial statements. Events that do materialise during that time are classified either 'adjusting' or 'non-adjusting' events. The primary distinction is that adjusting events must provide further evidence or insight into matters that already existed at the reporting date (29 February 2020). Non-adjusting events on the other hand, relate to events that materialised only after the reporting date and consequently do not provide evidence or insights into matters that already existed on the reporting date.

In relation to the Coronavirus outbreak, the Board has concluded that the outbreak of the virus and the spread across the world represents an event that materialised after the reporting date of 29 February 2020. This is in line with the fact that the World Health Organisation only classified the virus as a pandemic on the 11<sup>th</sup> of March 2020. In addition, the government of the Republic of South Africa only declared a national state of disaster on the 15<sup>th</sup> of March 2020. The resultant impact on the financial statements of the company would therefore not relate to events that existed on the reporting date of 29 February 2020. Rather, they are events that materialised in the timeframe between the reporting date and the date of the publication of the annual financial statements. The conclusion therefore is that the outbreak of the Coronavirus represents a non-adjusting event in terms of IAS 10 *Events after the Reporting Period*.

In relation to non-adjusting events, the board has the responsibility to assess if the events that have materialised since the reporting date are material in nature and/or financial effect. The assessment of materiality is approached from the prism of whether the events would influence the economic decisions that users make on the basis of the financial statements. In other words, if the disclosure or otherwise of a non-adjusting event would influence decision-making, it is regarded as a material non-adjusting event.

### Summary of Covid-19 events and impact on the 2020 annual financial statements

The board has deliberated on the various events and identified those events that are regarded as material. In relation to the material events, the board has assessed the financial impact on the RH Bophelo business. The summary of the financial impact is as follows –

**Summary of Covid-19 events and impact on the financial statements**

Event	Qualitative impact on RH Bophelo	Financial impact on RH Bophelo
Implementation of State of Disaster and National Lockdown and National Institute for Communicable Diseases ("NICD") guidelines	<p>The effect on the going concern status of the company and its operating subsidiaries assessed as negligible even if the lockdown is extended by up to six (6) months. This is due to the classification of healthcare as an essential service throughout the lockdown. The management accounts of the various operating subsidiaries during the initial phase of the lockdown indicated a negligible impact on financial performance.</p> <p>Whilst the full lockdown and suspension of elective surgical procedures in the hospitals and closure of nonessential services, has resulted in a loss and/(or) decrease of revenue for some of our investee companies.</p>	Marginal, the company's going concern status remains appropriate as a basis for the preparation of the current year financial statements.
Monetary policy interventions	The reduction in the Repo rate by two hundred and seventy five (275) basis points in March and July 2020 has an adverse impact on the company's net interest income. Additionally, the loans to group companies have not been adjusted for the change in interest rates and this represents an opportunity cost at the operating company level.	The effect of the changes in macroeconomic indicators and the various monetary policy interventions is reflected in the changes in risk-free rates and the cost of debt.
Fiscal policy interventions	<p>The option to delay tax payments to SARS in relation to employees' tax and provisional corporate income tax are available to the company. However, these have not been exercised by the company.</p> <p>In relation to the Skills Development Levy contribution holiday, the company expects a financial benefit to accrue for the 4-month period in which the contribution holiday applies</p>	A benefit has resulted in the positive cash flows from the option to delay in tax payments for up to four (4) months. This benefit has been utilized by our investee companies.
Sovereign ratings downgrade	The ratings downgrade has a direct impact on a range of macroeconomic variables. Where such macroeconomic variables are integral in the valuation of the investments of the company, the revised valuations have been incorporated into the assessment of the valuations.	<p>The effect of the changes in macroeconomic indicators is reflected in the changes in risk-free rates and the cost of debt.</p> <p>The impact of the changes has been a change in the WACC range from 16,2% to 21,2% that has been estimated for 30 June 2020 compared to a WACC range of 16,9% and 22,2% as at 29 February 2020.</p>

## 6.12. Director changes

Board changes in the current year, consists of:

- Appointments of four (4) directors, D Lerutla, B Segooa and R Nkadimeng on 10 October 2019 and C Clarke on 3 September 2019;
- Resignation of P Mehlope as a director on 31 July 2019 and loss of L Shezi due to an untimely passing.

## 6.13. Dividends

No dividend has been declared during the period under review and during the prior year.

On behalf of the Board

Quinton Zunga  
CEO

Dion Mhlaba  
CFO

Johannesburg  
31 July 2020

### Registered Office

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South Africa

### Directors

Q Zunga (Chief executive officer)  
KD Mhlaba (Chief financial officer)  
VP Nomvalo (Executive director)  
C 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)  
D Lerutla (Independent non-executive Director)  
B Segooa (Independent non-executive Director)  
R Nkadimeng (Independent non-executive Director)

### Company Secretary

Corporate Vision Consulting Proprietary Limited  
(Registration number 2015/006536/07)  
3 Decotah, Canart Street, Kyalami Hills  
Johannesburg, 1684  
South Africa

### Auditors

Deloitte & Touche  
5 Magwa Crescent  
Waterfall City  
Johannesburg  
Gauteng  
2090

### Transfer Secretaries

Computershare Investor Services Proprietary  
Limited  
(Registration number 2004/003647/07)  
Rosebank Towers,  
15 Biermann Ave, Rosebank,  
Johannesburg, 2196  
South Africa

### Sponsor

Deloitte & Touche Sponsor Services Proprietary  
Limited  
(Registration number 1996/000034/07)  
Deloitte & Touche  
5 Magwa Crescent  
Waterfall City  
Johannesburg  
Gauteng  
2090  
South Africa