

RH BOPHELO LIMITED

Incorporated in the Republic of South Africa
(Registration number: 2016/533398/06)

JSE share code: RHB, ISIN: ZAE000244737

("RHB" or "the Company")



REVIEWED PROVISIONAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2019

INTRODUCTION

The board of directors ("the Board") of the Company is pleased to present the provisional results for the year ended 28 February 2019.

RHB successfully listed as a Special Purpose Acquisition Company ("SPAC") on the Johannesburg Stock Exchange ("JSE") on 12 July 2017, raising R500 million through the issue of 50 000 000 "A" ordinary shares at R10 a share.

The company has successfully completed various acquisitions and has since been reclassified by the JSE Limited to that of an investment entity. Since the listing, management has been diligently reviewing various potential acquisition opportunities and is continuously engaging with potential vendors on propositions that could satisfy the Company's vision and values. The Company has sufficient resources to make a significant investment, using cash, equity and debt, or any combination thereof as deemed appropriate by management and the Board.

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RHB assets are managed as a balanced portfolio composed of two major components: (i) an equity portion; and (ii) a fixed income portion. The expected role of RHB equity investments will be to maximize the long-term real growth of portfolio assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a market fluctuations in the value of its equity investment portfolio.

The Company primarily focuses on investing in the healthcare sector, with focus on the hospitals, pharmaceuticals, retail, information technology, education, and financial services verticals. In the current year, the Company had exposure only in the hospital vertical portfolio.

FINANCIAL OVERVIEW

The key financial indicators reflected in these financial results are:

- RHB recorded an increase of 161% in operating profit to R21,2 million as compared to the prior year of R8 119 325, which comprised of a gain in the valuation of investments, the interests earned from funds held in the money market, less administrative and operational expenses;
- The total revenue increased by 99% in the current year to R41,3 million as compared to the prior year of R20,8 million;
- The operating expenses reported for this period increased by 9% to R13,2 million, when compared to the prior year of R12,1 million;
- Basic earnings per share and headline earnings per share increased by 63% to 41,5 cents when compared to the prior year of 24,7 cents;
- RHB recorded a 15% increase in the fair value of its investments;
- The net asset value of the Company increased by 7% to R530 million, when compared to the prior year of R495,9 million;
- The Company remains liquid and solvent, with its healthy balance sheet and a total of R373,6 million in cash and cash equivalents still available for new acquisitions, including those that in subsequent events.
- No dividends were declared in the current year; and
- RHB has acquired additional assets post year-end and therefore any income earned is not indicative of the Company's future prospects.

PREPARATION

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

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 reviewed by our external auditor, Deloitte & Touche. A copy of their unmodified review conclusion is available from the Company's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the external auditor. The auditor's 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 report together with the accompanying financial information from the Company's registered office.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2019

	Feb-19	Feb-18
	R	R
Other income	16 827 266	-
Finance income	24 490 345	20 826 640
Profit before taxation	41 317 611	20 826 640
Administrative and other operating expenditure	(13 174 556)	(12 128 479)
Profit before tax	28 143 055	8 698 161
Taxation	(6 982 166)	(578 836)
Profit for the year	21 160 889	8 119 325
Other comprehensive income	-	-
Total comprehensive income for the year	21 160 889	8 119 325
Earnings per share (cents)		
Basic and headlines earnings per share (cents)	41,5	25,5
WANOS	50 938 356	31 780 822

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2019

	Feb-19	Feb-18
	R	R
ASSETS		
Non-current and current assets		
Financial asset at fair value through profit and loss	157 896 791	-
Loans and other receivables	4 103 493	-
Cash and cash equivalents	373 548 658	499 063 418
	<u>535 548 942</u>	<u>499 063 418</u>
Total assets	<u><u>535 548 942</u></u>	<u><u>499 063 418</u></u>
EQUITY AND LIABILITIES		
Stated capital	500 839 672	487 826 373
Retained income	29 280 214	8 119 325
Total equity	<u><u>530 119 886</u></u>	<u><u>495 945 698</u></u>
Non-current and current liabilities		
Deferred tax	3 717 681	-
Other payables	1 711 375	3 117 720
	<u>5 429 056</u>	<u>3 117 720</u>
Total equity and liabilities	<u><u>535 548 942</u></u>	<u><u>499 063 418</u></u>
Net Asset Value per share (R)	10,34	9,92
Tangible Net Asset Value (R)	7,28	9,98

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 FEBRUARY 2019

	Stated capital	Retained income	Total equity
	R	R	R
Opening balance as at 1 March 2017	1	-	1
Shares issued	500 000 000	-	500 000 000
Transactional costs	(12 173 628)		(12 173 628)
Total comprehensive income for the year	-	8 119 325	8 119 325
Balance at 28 February 2018 - Audited	<u>487 826 373</u>	<u>8 119 325</u>	<u>495 945 698</u>
Shares issued	13 013 299	-	13 013 299
Total comprehensive income for the year	-	21 160 889	21 160 889
Balance at 28 February 2019 - Reviewed	<u>500 839 672</u>	<u>29 280 214</u>	<u>530 119 886</u>

CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 28 FEBRUARY 2019

	Feb-19	Feb-18
	R	R
Cash generated from operating activities		
Profit before tax	28 143 055	8 698 161
Net gain from financial instruments at fair value through profit and loss	(16 596 791)	-
	<hr/> 11 546 264	<hr/> 8 698 161
Changes in working capital		
Increase in other receivables	(1 432 736)	-
(Decrease)/increase in other payables	(1 406 345)	3 117 720
Cash generated from operations	<hr/> 8 707 183	<hr/> 11 815 880
Income tax	(3 596 701)	(578 836)
Net cash inflow from operating activities	<hr/> 5 110 482	<hr/> 11 237 044
Cash flow from investing activities		
Net investments in financial instruments at fair value through profit and loss and loans*	(128 286 670)	-
Cash flow from financing activities		
Net proceeds on share issue*	-	487 826 372
Net movement in cash and cash equivalents	<hr/> (125 514 760)	<hr/> 499 063 417
Cash and cash equivalents at beginning of the year	499 063 418	1
Cash and cash equivalents at the end of the year	<hr/> <hr/> 373 548 658	<hr/> <hr/> 499 063 418

*The current year share issue was used to settle some of the investments acquisition purchase price

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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 provisional financial results have been prepared on the historic cost basis except that financial assets and liabilities at fair value through profit and loss are stated at their fair value. The results are presented in Rand, which is the Company’s functional and presentation currency.

ACCOUNTING POLICIES

The accounting policies applied in the preparation of the annual financial statements from which the provisional financial statements were derived are in terms of IFRS and are consistent with the previous annual financial statements. There was no impact on changes of accounting standards.

New standards and interpretation

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

- Standard: IFRS 15 Revenue from Contracts with Customers; and
- IFRS 9 Financial Instruments

Effective date: years beginning on or after 1 January 2018

Expected impact: The adoption of this standard has not had a material impact on the results of the company given the nature of the company and the fact that this is the first year that the company has operations.

Accounting for investments

Subsidiaries classified are classified as Investment Entities under IFRS 10 Consolidated Financial Statements. Investment Entities are exempt from consolidation and measured at fair value through profit and loss in terms of IFRS 9. Changes in fair value, primarily driven by revaluation of portfolio investments, are recognised in profit and loss in the period of change.

Where the Company does not have control, but has significant influence over a portfolio investment, such entities are classified as associates. Given the nature of the Company’s operations, associates are accounted for in accordance with IFRS9 at fair value through profit and loss (exemption allowed in IAS 28: Investments in Associates and Joint Ventures). Changes in fair value are recognised in profit or loss in the period of change.

The following were part of the consideration used by management in the application of IFRS 10:

- The business will realise value through the capital appreciation and dividend return of its investee companies;
- The company has finalized a diversified investment strategy that will see growth in other sectors; and
- At the appropriate time, the Company will exit each investment vertical following a carefully crafted Investment strategy in line with its investment policy.

Initial Measurement:

Financial instruments are initially measured at fair value, which includes transaction costs, except for instruments classified at fair value through profit and loss. Investments that are not traded in an active market are initially measured using acquisition cost.

Subsequent Measurement:

The investments, which are not traded on an active market, are valued using recognised principles to estimate fair value in accordance with IFRS13.

The Company will adopted different valuation techniques as the base valuation method as highlighted by the general principles below:

- Available market values of the acquired assets as at reporting date;
- A Discounted Cash Flow valuation for operational assets;
- Market values for recent similar traded assets; and
- Income multiple approach in year 7 to 9 years, since the hospitals would have reached maturity and stability.

Net gain/loss from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

The company has adopted an accounting policy of measuring its investments at fair value through profit or loss with fair value movements on its assets under management recognised in the statement of profit or loss.

	2019 R	2018 R
Financial assets at fair value through profit and loss	157 896 791	-

In the current year, the Company had only one direct investment into RH Bophelo Operating Company Proprietary Limited ("RHBO"), a 100% held subsidiary. RHBO is a special purpose vehicle created in order to hold investments that are classified under the Company's hospital portfolio. The R157 896 791 is only indicative of the net asset value of RHBO as at 28 February 2019:

Below is an extract from statement of financial position from RHBO as at 28 February 2019.

Total assets	164 291 832	-
Total liabilities	6 395 040	-
Net asset value	157 896 791	-

a) Unlisted investment held indirectly classified as Financial asset at fair value through profit and loss:

During the current year, RHBO made the following acquisitions which were classified as investments through profit and loss.

	Opening balance	Investment acquisition	Fair value	Closing balance
Africa Healthcare	-	62 500 000	32 989 661	95 489 661
Vryburg Private Hospital	-	24 320 000	2 834 529	27 154 529
Rondebosch Medical Centre	-	200 000	(199 999)	1
	-	*87 020 000	35 624 192	122 644 192

b) Loans issued:

	Opening balance	Investment acquisition	Interest/ (impairment)	Closing balance
Vryburg Private Hospital	-	4 480 000	562 230	5 042 230
Rondebosch Medical Centre	-	49 800 000	(14 800 000**)	35 000 000
	-	*54 280 000	(14 237 770)	40 042 230

**total investments of R141 300 000 in loans and equities.*

***the loan was impaired in the current year.*

c) Assumptions and estimates

Entity	% ownership	Fair value at year end*	Valuation technique	Unobservable inputs	Range**	FV Hierarchy
Africa Healthcare Proprietary Limited ¹	60%	95 489 661	Discounted cash flow	EBITDA, WACC, and growth rate	6,76; 18% and 7,3%	Level 3
Vryburg Holdings Proprietary Limited ²	74%	27 154 529	Discounted cash flow	EBITDA, WACC, growth rate and cap rate	6,76; 18%; 7,3% and 11%	Level 3
Rondebosch Medical Centre Proprietary Limited ³	30%	35 000 000	Discounted cash flow	EBITDA, WACC, and growth rate	7; 18% and 6,5%	Level 3

*management has applied a 15% valuation provision from the valuation reports performed by independent valuers.

**Assumptions and estimates

¹ In May 2018, RHBO successfully acquired 60% of Africa Healthcare Proprietary Limited for R62,5 million, payable in combination of a cash subscription and share swap.

² In May 2018, RHBO successfully acquired 74% of Vryburg Private Proprietary Limited for R24,3 million, through a sale of assets and liabilities.

³ In June 2018, RHBO successfully subscribed for 30% of Rondebosch Medical Centre Proprietary Limited for R200 000 and a shareholder loan of R49,8 million. In line with the policy, both the equity and loan are valued together. RHBO is entitled to a call option to acquire an additional 21% of the issued shares on the 4th anniversary.

d) Sensitivity analysis:

AHC equity value - 60%	-10%	-5%	Base	+5%	+10%
Termina value	88 489 929	92 510 105	95 489 661	102 975 350	109 962 462
WACC	116 060 638	105 720 226	95 489 661	90 221 316	84 263 134
Vyrburg equity value - 74%	-10%	-5%	Base	+5%	+10%
Termina value	10 741 236	11 416 424	12 216 100	13 178 192	14 357 769
WACC	14 283 413	13 605 169	12 216 100	11 065 111	10 096 478
Capitalisation rate	17 860 500	17 010 000	16 200 000	15 390 000	14 620 500
*RMC equity value - 30%	-10%	-5%	Base	+5%	+10%
Termina value	31 587 500	33 250 000	35 000 000	40 200 000	42 600 000
WACC	38 587 500	36 750 000	35 000 000	33 250 000	31 587 500

*Valuation includes shareholder loan

SEGMENTAL REPORTING

The Board has considered the implications of IFRS 8: Operating segments and are of the opinion that the current operations of the Company constitute one operating segment.

RELATED PARTIES

Management fees

Management fees of R4 363 015 (R2 458 055 in the prior year) have been paid by the Company to RH Bophelo Management Company Proprietary Limited for providing operational management services. Management fees are 0,7% per quarter of the

total capital raised, while the Company has not fully deployed more than 60% of the listing capital raise. An amount of R14 286 ((R776 616) in the prior year) was included in other receivables /(payables) at year end.

Subsidiary

Fees of R1 138 747 (R2 900 000 in the prior year) were paid by the Company to RH Bophelo Operating Company Proprietary Limited, a wholly owned subsidiary of the Company, for the costs related to the operations of the business. An amount of R2 338 541 (R26 403 in the prior year) was included under loans at year end.

Professional fees

Professional fees of Rnil (R11 508 300 in the prior year) were paid by the Company to Thirdway Investments Proprietary Limited. These payments were made for capital raising and corporate advisory services. Thirdway Investments Proprietary Limited owns 30% of RH Bophelo Management Company Proprietary Limited and a John Oliphant (non-executive director) of the Company is a partner in Thirdway Investments Proprietary Limited.

ISSUE OF SHARES

During the current year, the Company issued 1 250 000 shares “A” ordinary shares at a VWAP of R10 a share as part of the settlement for the Africa Healthcare acquisition. In the prior year, the Company issued 49 999 999 “A” ordinary share in issue at R10 per share.

BASIC AND HEADLINE EARNINGS PER SHARE

Basic earnings per share was based on profit after tax of R21 160 889 (prior year: R8 119 325) and weighted average number of ordinary shares of 50 938 356 (prior year: 31 780 822) issued.

	Feb-19	Feb-18
Headline earnings per share (cents)	41,5	25,5
Diluted headline earnings per share (cents)	41,5	25,5

Reconciliation between earnings and headline earnings

Basic earnings (R)	21 160 889	8 119 325
Adjustment	-	-
Headline earnings (R)	21 160 889	8 119 325

SIGNIFICANT OUTSTANDING TRANSACTION AT YEAR END

Transactions signed before year end:

- *In October 2018, the Company entered into a sale of shares agreement to acquire Fauchard Day Hospital through its wholly owned subsidiary RH Bophelo Operating Company, upon the fulfilment or waiver (as the case may be) of the conditions precedent contained in the Agreement will, inter alia, the acquisition is for a combined consideration of R25 million cash (R15 million for the property and R10 million for the Day Clinic);
- *On 5 February 2019, the Company entered into a Sale of Shares and Claims agreement (“Agreement”), through its wholly owned subsidiary, to acquire 51.0% of the issued share capital in Medicare Private Hospital Proprietary Limited (“MPH”) through the purchase of existing shares from the current shareholders for a combined consideration of R99,6 million, consisting of a cash consideration of R75 million and 2.5 million RH Bophelo listed shares, using a 30-day volume weighted average price (“VWAP”). the acquisition was classified as category 2;

**during the current financial period, the investments were not included in the current year report because not all conditions were met.*

SUBSEQUENT EVENTS

The directors are not aware of any other material items that arose subsequent to 28 February 2019 that affect the condensed financial statement as at the same date that should either be adjusted or disclosed other than the below acquisitions.

By the time of this report, the Company entered into the following acquisition agreements for the acquisition of Medicare Private Hospital, Fauchard Day Hospital, Netcare Bell Hospital, Westmart Financial Services and Africa and Worldwide Medical Assistance Service for a combined consideration of R185,5 million.

Transactions signed after year end:

- On 15 March 2019, the Company entered into a Sale of Business Agreement (“SBA”) and a Sale of Property Agreement (“SPA”) to acquire 100% of Netcare Bell’s assets (being the business) from Netcare Hospitals; and acquire 100% of the Bell Property from Netcare Property Holdings for a combined consideration of R55.2 million, which consists of R1.6 million for the Bell’s assets and R53.6 million for the Bell Property. The acquisition was classified as category 2;
- The acquisition of 60% of Westmart Financial Services was concluded on 30 April 2019 for R2 750 000 . Wesmart is registered as an authorised Financial Services Provider, (FSP: 45769), has received exemption in terms of the Demarcation Regulations from the Council for Medical Schemes. The business will allow the Company to support a platform that offers an affordable healthcare insurance products;
- On 27 May 2019, the Company obtained an approval to subscribe for a 60% in Africa and Worldwide Medical Assistance Service Proprietary Limited “Africa Assist” through its wholly owned subsidiary RH Financial Services for a total cash consideration of R3 000 000. Africa Assist is a registered administrator that provides medical emergency services in South Africa and in the continent.

COMMITMENTS

- The Company has entered into a R20 million loan agreement with Africa Healthcare Proprietary Limited, its subsidiary, where the proceeds will be used by Africa Healthcare Proprietary Limited for the acquisition of Fochville Private Hospital. The full loan amount has not been drawn by year-end.

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 solvency and liquidity test was applied to assess the going concern assumption.

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.

DIVIDENDS

No dividend has been declared during the period under review.

On behalf of the Board

Dion Mhlaba
CFO

Quinton Zunga
CEO

Johannesburg
3 June 2019

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Directors

Q Zunga (Chief executive officer)
KD Mhlaba (Chief financial officer)
VP Nomvalo (Executive director)
MP Mehlaphe (Non-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)
L Shezi (Independent non-executive Director)

Company Secretary

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