

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")



UNAUDITED CONDENSED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2019

INTRODUCTION

The board of directors ("the Board") of the Company is pleased to present the interim half year results for the period ended 31 August 2019.

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 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 concluded acquisition in the hospital and insurance vertical portfolio.

The company's portfolio as at 31 August 2019 includes:

Description	Province	Date acquired	Beds
RHBO:			
St Helena Hospital	Free State	Apr-18	131
Fountain Hospital	Gauteng	Apr-18	163
Nursing College	Gauteng	Sep-19	-
Vryburg Hospital	North West	Apr-18	44
Rondebosch Medical Centre	Cape Town	May-18	123
Fochville Hospital	Gauteng	Feb-19	37
Medicare Hospital	North West	Jul-19	117
Netcare Bell Hospital	Gauteng	Sep-19	31
Fauchard Hospital	Gauteng	Sep-19	16
Managed hospitals:			
Kiaat Hospital	Mpumalanga	Jun-17	115
Rand and Mutual Assurance (RMA)	Free State	Jan-17	120
Matchabeng Hospital	Free State	Aug-19	124
RHFS:			
Wesmart	National	May-19	N/a
Genric	National	Sep-19	N/a
Total			

RHB has done eight (8) hospital acquisitions, one (1) nursing college, two (2) insurance businesses and one emergency management services. The company has been classified by JSE as an investment holding entity category. 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.

As at 31 August 2019, the Company had access to R44 million, net of R220 million committed to existing investments. The Company has progressed on new investment opportunities of over R1,5 billion, on a combination of hospitals and healthcare access products. The Company is considering few fund raising options in order to raise the required capital to boost the company's footprint development and strengthening of its access products.

FINANCIAL OVERVIEW

The key financial indicators reflected in these financial results are:

- Investments of R311,6 million when compared to the prior period of R171,3 million, an increase of 82% in investments;
- Net asset value of the Company increased by R42 million, i.e. 8% to R583,6 million, when compared to the prior period of R541,3 million;
- Revenue of R44,3 million, as compared to the prior period of R45,8 million, resulting in a decrease of 3%;
- Operating profit of R31,2 million as compared to the prior period of R33 million, 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;
- Operating expenses of R5,8 million as compared to the prior period of R2 million, an increase of 173%, when compared to the prior period;
- Basic earnings per share and headline earnings per share 60,53 cents as compared to the prior period of 65,18 cents, resulting in a decrease of 7%;
- Tangible Net Asset Value ("TNAV") per share at R10,86, as compared to the prior period of R10,56 cents, resulting in a decrease of 3%;
- Net Asset Value ("NAV") per share at R10,86, as compared to the prior period of R10,56 cents, resulting in a decrease of 3%;
- The Company and its investments remain liquid and solvent, with sufficient reserves. RHB has R44 million of unencumbered capital as at 31 August 2019;
- No dividends were declared in the current year period or prior period; and
- RHB has acquired additional assets post period end and therefore any income earned is not indicative of the Company's future prospects.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED

	31-Aug-19 Unaudited R	31-Aug-18 Unaudited R	12 months 28-Feb-19 Audited R
Finance income	14 666 087	15 832 157	24 490 345
Fair value on investment of fair value through profit or loss	29 305 262	29 985 263	16 596 791
Other income	322 115	-	230 475
	<u>44 293 464</u>	<u>45 817 420</u>	<u>41 317 611</u>
Administrative and other operating expenditure	(5 837 152)	(2 140 398)	(13 174 556)
Income before taxation	<u>38 456 312</u>	<u>43 677 022</u>	<u>28 143 055</u>
Taxation	(7 432 262)	(10 532 788)	(6 982 166)
Income for period	<u>31 024 050</u>	<u>33 144 234</u>	<u>21 160 889</u>
Other comprehensive income	-	-	-
Total comprehensive income for the period	<u><u>31 024 050</u></u>	<u><u>33 144 234</u></u>	<u><u>21 160 889</u></u>
Earnings per share (cents)			
Basic and diluted income per share (cents)	60,53	65,18	41,50

Note:

- The company issued 2 500 000 new shares on the 31 July 2019 in the acquisition of Medicare Private Hospital, which included a part settlement through the issue of shares.

- *There were no dilutive instruments in issue.*

CONDENSED STATEMENT OF FINANCIAL POSITION

	31-Aug-19 Unaudited R	31-Aug-18 Unaudited R	28-Feb-19 Audited R
ASSETS			
Non-current assets			
Financial asset at fair value through profit and loss	311 587 370	171 285 263	157 896 791
Current assets			
Cash and cash equivalents	265 094 836	377 145 871	373 548 658
Related party loans	17 779 038	1 336 283	2 338 541
Account receivables	1 502 644	4 527 025	1 764 952
	<u>284 376 518</u>	<u>383 009 179</u>	<u>377 652 151</u>
Total assets	<u><u>595 963 888</u></u>	<u><u>554 294 442</u></u>	<u><u>535 548 942</u></u>
EQUITY AND LIABILITIES			
Share capital	523 339 672	500 326 373	500 839 672
Retained income	60 304 264	40 962 543	29 280 214
Total equity	<u>583 643 936</u>	<u>541 288 916</u>	<u>530 119 886</u>
Other payables	1 749 649	2 455 000	1 711 375
Deferred tax	10 570 303	10 550 526	3 717 681
Current liabilities	<u>12 319 952</u>	<u>13 005 526</u>	<u>5 429 056</u>
Total equity and liabilities	<u><u>595 963 888</u></u>	<u><u>554 294 442</u></u>	<u><u>535 548 942</u></u>

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 AUGUST 2019

	Share capital	Retained	Total
	R	Income	equity
		R	R
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 period	-	21 160 889	21 160 889
Balance at 28 February 2019	<hr/> 500 839 672	<hr/> 29 280 214	<hr/> 530 119 886
Shares issued	22 500 000	-	22 500 000
Total comprehensive income for the period	-	31 024 050	31 024 050
Balance at 31 August 2019	<hr/> <hr/> 523 339 672	<hr/> <hr/> 60 304 264	<hr/> <hr/> 583 643 936

CONDENSED STATEMENT OF CASH FLOWS

	31-Aug-19 R Unaudited	31-Aug-18 R Unaudited	28-Feb-19 R Audited
Cash generated from operating activities			
Profit before tax	38 456 312	43 677 022	28 143 055
Net gain from financial instruments at fair value through profit and loss	(29 305 262)	(29 985 263)	(16 596 791)
	<u>9 151 050</u>	<u>13 691 759</u>	<u>11 546 264</u>
Changes in working capital			
Decrease/(increase) in other receivables	262 308	(3 727 025)	(1 432 736)
Increase/(decrease) in other payables	38 274	(1 060 459)	(1 406 345)
Cash generated from operations	<u>9 451 632</u>	<u>8 904 275</u>	<u>8 707 183</u>
Income tax paid	-	(800 000)	(3 596 701)
Net cash inflow from operating activities	<u>9 451 632</u>	<u>8 104 275</u>	<u>5 110 482</u>
Cash flow from investing activities			
Increase in related party loans	(16 218 386)	(1 336 283)	(2 338 541)
Net investments in financial instruments at fair value through profit and loss and loans	(101 687 068)	(128 800 000)	(128 286 701)
	<u>(117 905 454)</u>	<u>(130 136 283)</u>	<u>(130 625 242)</u>
Net movement in cash and cash equivalents	<u>(108 453 822)</u>	<u>(122 032 008)</u>	<u>(125 514 760)</u>
Cash and cash equivalents at beginning of the period	373 548 658	499 177 879	499 063 418
Cash and cash equivalents at the end of the period	<u><u>265 094 836</u></u>	<u><u>377 145 871</u></u>	<u><u>373 548 658</u></u>

NOTES TO THE FINANCIAL STATEMENTS

BASIS OF PREPARATION

The interim results have been prepared in accordance with and contain disclosures prescribed by IAS 34: Interim Financial Reporting and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Committee, the Companies Act of South Africa, and the JSE Limited's Listings Requirements ("Listings Requirements").

The interim financial results and any forward-looking statements in this announcement have not themselves been reviewed by the external auditors. The Board takes full responsibility for the preparation of this report and ensuring that the financial information has been correctly prepared. These condensed financial results have been prepared under the supervision of the Financial Director, Dion Mhlaba CA(SA).

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.

ACCOUNTING POLICIES

The accounting policies applied in the preparation of the annual financial statements from which the half year interim 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.

Application of New and Revised Standards in issue but not effective

At the date of authorisation of these financial statements, the following relevant IFRSs were in issue but not yet effective:

IFRS 16: Supersedes IAS 17 Leases - Mandatory adoption for periods beginning on or after 1 January 2019.

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.

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 IFRS 9 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:

Unlisted investments 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 has 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.

Gain or loss from financial instruments at fair value through profit or loss

Gain or loss from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes on investments.

Loans and advances

Loans and advances that have been designated as financial assets at fair value through profit or loss on initial recognition will be measured through profit or loss, while any other financial assets will be measured on cost basis.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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.

In the current period the Company had only two direct investment into RH Bophelo Operating Company Proprietary Limited ("RHBO") and RH Financial Services ("RHFS"), 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 and RHFS to hold all investments within the financial services portfolio. The R157 896 791 is only indicative of the net asset value of RHBO as at 31 August 2019:

Below is an extract from statement of financial position from RHBO and RHFS as at 31 August 2019.

	RHBO	RHFS	Aug-19	Aug-18
Total assets	317 482 952	3 350 000	320 832 952	179 345 962
Total liabilities	(9 245 582)	-	(9 245 582)	(8 060 699)
Net asset value	<u>308 237 370</u>	<u>3 350 000</u>	<u>311 587 370</u>	<u>171 285 263</u>

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

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

	28-Feb-19	Investment acquisition	Fair value	31-Aug-19
Africa Healthcare	95 489 661	-	-	95 489 661
Vryburg Private Hospital	27 154 529	-	-	27 154 529
Rondebosch Medical Centre	1	-	-	1
Wesmart Financial Services	-	2 750 000	-	2 750 000

Medicare Private Hospital	-	149 553 817	4 961 599	154 515 416
	122 644 191	152 303 817	4 961 599	279 909 607

b) Loans issued:

	28-Feb-19	loans issued	Interest	31-Aug-19
Vryburg Private Hospital	5 042 230	-	281 115	5 323 345
Rondebosch Medical Centre	35 000 000	-	-	35 000 000
Wesmart Financial Services	-	600 000		600 000
	40 042 230	600 000	281 115	40 923 345
RHBO & RHFS	162 686 421	152 903 817	5 242 714	*320 832 952

*total investments of R320 832 952 in loans and equities.

c) Assumptions and estimates

Entity	% ownership	Fair value at period 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
Megafrack Proprietary Limited ("Medicare Private Hospital") ⁴	100%	154 515 416	Discounted cash flow	EBITDA, WACC, growth rate and cap rate	8,7; 15,09%; 6,5% and 10,51%	Level 3
Wesmart Financial Services ⁵	60%	R3 350 000	Cost	N/a	N/a	Level 3

*management has kept the valuation the same as those reported in 28 February 2019, there has not been any material changes in the performance of the investments.

**Assumptions and estimates

¹In 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.

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

³In 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.

⁴On 31 July 2019, the Company finalised the acquisition of 51.0% of the issued share capital in Medicare Private Hospital Proprietary Limited ("MPH") for R149,6 million, consisting of a cash consideration of R127 million and

R22,5 million through RH Bophelo listed shares, using a 30-day volume weighted average price (“VWAP”) of R9,90 per share.

⁵On 30 April 2019, the Company finalised the acquisition of 60% of Wesmart Financial Services for R2,8 million. 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.

Loans and advances:

	Aug-19	Aug-18
Advanced	17 156 538*	1 336 283,00
Finance income	622 500	-
	<u>17 779 038</u>	<u>1 336 283,00</u>

*included is R14 million interest bearing loan to Africa Healthcare, at an interest rate of 15% per annum, payable within two (2) years, and non-interest bearing loan with RHBO and no repayment terms.

INVESTMENTS:

Transactions signed before 31 August 2019 and finalized after period 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, 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 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 for a consideration of R55.2 million, which consists of R1.6 million for the Bell’s hospital assets and R53.6 million for the Bell Property.

SUBSEQUENT EVENTS

The directors are not aware of any other material items that arose subsequent to 31 August 2019 that affect the half year financial statement as at the same date that should either be adjusted or disclosed other than the below acquisitions.

On 3rd September 2019, RHBO concluded the acquisition of the remaining 40.0% of the issued share capital in AHC from the remaining shareholders for a total consideration of R60.0 million, consisting of cash of R36.0 million and R24.0 million RH Bophelo listed shares using a 30 day volume weighted average price (“VWAP”) of R11 per share.

On 6th September 2019, RHFS entered into a Sale of Shares and Claims agreement (“**Agreement**”), in terms of which, upon the fulfilment or waiver of the conditions precedent contained in the Agreement, RHFS, will, *inter alia* acquire 25.0% of the issued share capital in Genric Insurance Company Limited (“Genric”) from the existing shareholders for a total consideration of R52.5 million, consisting of cash of R45.0 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 at a VWAP.

COMMITMENTS

A corporate guarantee of R3 million has been issued in favour of Genric as a condition of sale to increase the membership of Wesmart.

SHARE CAPITAL

Total issued capital of 53 750 000 as at 31 August 2019. During the current period the Company issued 2 500 000 shares “A” ordinary shares at a VWAP of R9,9 a share as part of the settlement for the Medicare

Private Hospital acquisition. In the prior period, the Company issued 1 250 000 at R10 per share.

BASIC AND HEADLINES EARNINGS PER SHARE

From continuing operations

Basic earnings per share 60,53 (prior period: 65,18) was based on profit after tax of R31 024 050 (prior period: R33 126 631) and weighted average number of ordinary shares of 51 250 000 (prior period: 50 821 918).

	Aug-19	Aug-18	Feb-19
Earnings per share	Unaudited	Unaudited	Audited
Basic and diluted income per share (cents)	60,53	65,18	41,50
Earnings (R)	31 024 050	33 144 234	21 160 889

Headlines earnings per share 60,53 (prior period: 65,18) was based on profit after tax of R31 024 050 (prior period: R33 126 631) and weighted average number of ordinary shares of 51 250 000 (prior period: 50 821 918). There was no accounting write downs or sale of assets. All the earnings are mainly based on capital investment activities.

	Aug-19	Aug-18	Feb-19
Headline earnings per share	Unaudited	Unaudited	Audited
Headline and diluted income per share (cents)	60,53	65,18	41,50
Earnings (R)	31 024 050	33 144 234	21 160 889

RELATED PARTIES

RH Managers Proprietary Limited ("RHM") and Thirdway Investments Proprietary Limited ("TWI") separately owns 30% of RH Bophelo Management Company Proprietary Limited ("RHBM"), therefore has significant influence on the affairs and operations of RHB. Some of the directors of RHBM and RHM are also executive directors of RHB, whilst a non-executive director of the Company is a partner in TWI.

Management fees

RH Bophelo Management Company Proprietary Limited ("RHBM") provides Management Services to RHB. Management fees are 0,7% per quarter of the total capital raised, as long as the Company has not made investment for over R281 million. Management fees paid to RHBM in the current period amounted to R1,2 million (prior period: R882 192). An amount of R757 757 (Prior period: R214 310) was included in other payables at period end.

Professional fees

Professional fees of Rnil (prior period: R900 000) were paid by the Company to Thirdway Investments Proprietary Limited. These payments were made for corporate advisory services.

Subsidiary

Related party loans with RHBO for an amount of R3,2 million (prior period: R1,5 million) and Africa Healthcare of R14 million (prior period: Rnil) was included as part of related loans receivables at 31 August 2019. Finance income R622 500 (prior period: Rnil) from a loan with Africa Healthcare.

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.

DIRECTOR CHANGES

In the current period, the following director changes took place:

- Peter Mehlapé's resignation on 2 August 2019, Peter served as a non-executive director until his resignation and didn't serve on any other sub-committees;
- Londeka Shezi's resignation was due to her untimely passing on 07 July 2019, she served on the main board as an independent non-executive director and as chair for audit and risk committee; and
- Mr Colin Clarke was appointed to the board of RH Bophelo with effect from 2 September 2019 as an executive director. Colin is the chairman of the investment committee.

On behalf of the Board

Dion Mhlaba
CFO

Quinton Zunga
CEO

Johannesburg
4 October 2019

Registered Office

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Directors

Q Zunga (Chief executive officer)
KD Mhlaba (Chief financial officer)
VP Nomvalo (Executive director)
Colin Clarke (Executive Director)
Peter Mehlapé (resigned)
JR Oliphant (Non-executive chairman)
Dr. PD Sekete (Non-executive Director)
Dr. SG Motuba (Lead independent)
Dr. KR Ntshwana (Independent)
Ms Londeka Shezi (Deceased)

Company Secretary

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