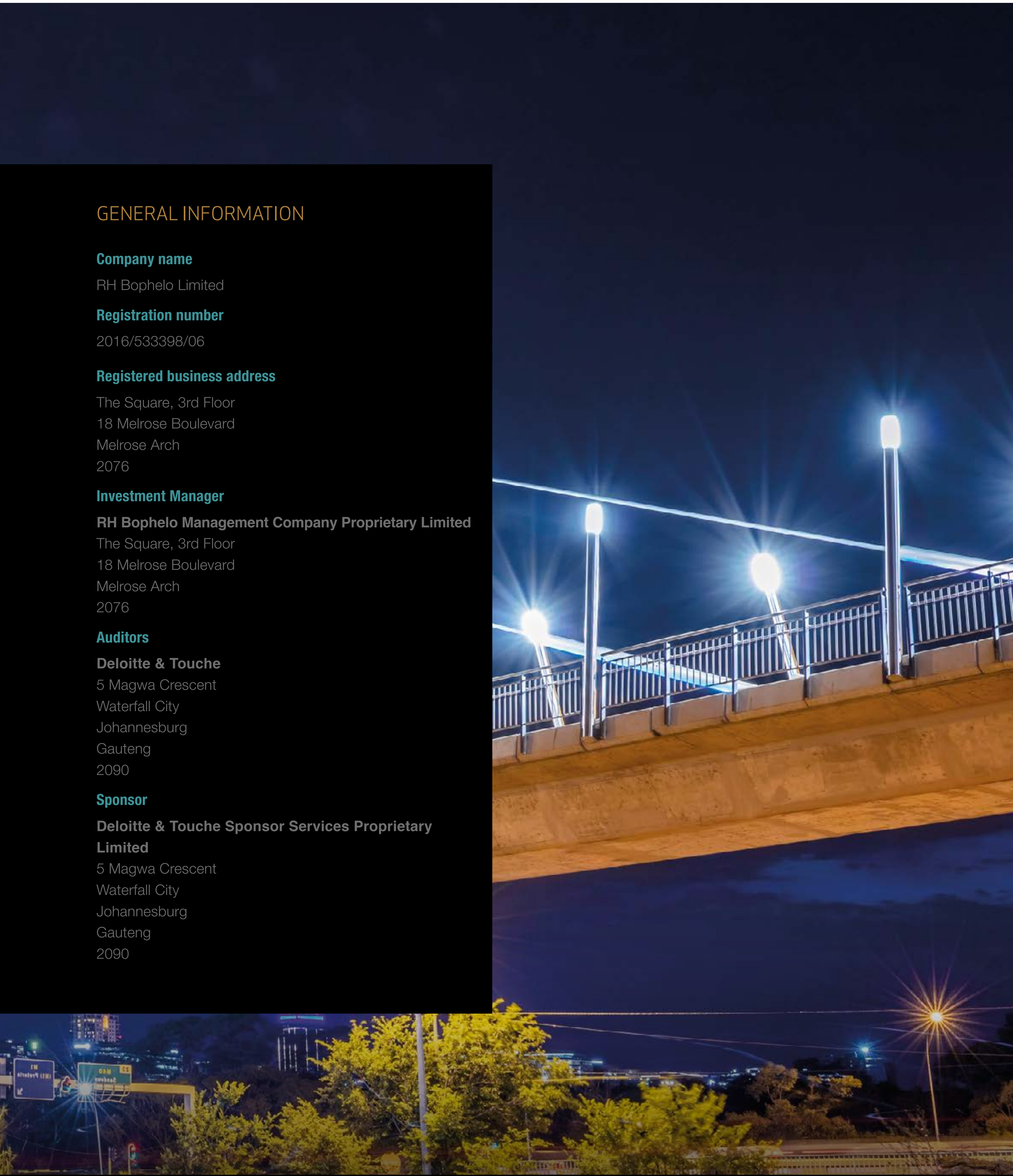
Johannesburg, South Africa

SECTION 04

ANNUAL FINANCIAL STATEMENTS

CONTENTS

The audited annual financial statements for the year ended 29 February 2020, as set out on pages 93 to 131 were prepared under the supervision of Dion Mhlaba, BCom Honours, CA(SA).



GENERAL INFORMATION

Company name

RH Bophelo Limited

Registration number

2016/533398/06

Registered business address

The Square, 3rd Floor
18 Melrose Boulevard
Melrose Arch
2076

Investment Manager

RH Bophelo Management Company Proprietary Limited
The Square, 3rd Floor
18 Melrose Boulevard
Melrose Arch
2076

Auditors

Deloitte & Touche
5 Magwa Crescent
Waterfall City
Johannesburg
Gauteng
2090

Sponsor

Deloitte & Touche Sponsor Services Proprietary Limited
5 Magwa Crescent
Waterfall City
Johannesburg
Gauteng
2090

Statement of Directors' Responsibilities

The Directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of RH Bophelo Limited. The annual financial statements are prepared in accordance with the IFRS, including interpretations of such standards as issued by the Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act, 71 of 2008.

The Directors consider that in preparing the annual financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards that they consider to be applicable have been followed. The Directors are satisfied that the information contained in the annual financial statements fairly presents the results of operations for the year and the financial position of the Company at the end of the financial year.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company, and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Directors set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, an endeavour is made to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The annual financial statements were prepared on a going concern basis. The assets of the Company, fairly valued, exceed its liabilities fairly valued. The Directors are of the opinion that the Company will continue as a going concern in the foreseeable future.

The annual financial statements were audited by the independent auditors, to whom unrestricted access was given to all financial records and related information, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board.

The annual financial statements set out on pages 95 - 134 for the year ended 29 February 2020 were approved by the Board of Directors on 31 August 2020 and have been signed on its behalf by:

Quinton Zunga
Director

31 August 2020

Dion Mhlaba
Director

31 August 2020

Company Secretary's Certification

Declaration by the Company Secretary in respect of Section 88(2)(e) of the Companies Act

In my capacity as the Company Secretary, I hereby confirm, in terms of the South African Companies Act, No. 71 of 2008, as amended, that for the year ending 29 February 2020, RH Bophelo Limited has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Corporate Vision Consulting Proprietary Limited
Ragni Naicker
Company Secretary

31 August 2020

Audit and Risk Committee Report

INTRODUCTION

The Audit and Risk Committee ("the Committee") presents its report for the financial year ended 29 February 2020. The Committee reports that it has adopted formal terms of reference as its Audit and Risk Committee Charter ("the Charter"), and that it has discharged all of its responsibilities for the current financial year, in compliance with the Charter.

OBJECTIVES AND SCOPE

Functions of the audit committee:

- Nominating an auditor that the audit committee regards as independent;
- Determining the audit fee and the auditor's terms of engagement and ensuring that the appointment of the auditor complies with the Companies Act and other relevant legislation;
- Determining the nature and extent of non-audit services;
- Pre-approving any proposed agreement with the auditor for the provision of non-audit services;
- Preparing a report to be included in the annual financial statements describing how the Committee carried out its functions, stating whether the auditor was independent, and commenting on the financial statements, accounting practices and internal financial control measures of the Company;
- Making submissions to the Board regarding the Company's accounting policies, financial controls, records and reporting;
- Oversight of the internal audit function, playing a key role in the risk management process and performing oversight of financial risks and reporting, internal financial controls, as well as fraud and risks relating to information and technology as they relate to financial reporting;
- Satisfying itself with regard to the expertise, resources and experience of the finance function;
- Oversight of the external audit process;
- Ensuring that the Company has established appropriate financial reporting procedures and that those procedures are operating;
- Requesting relevant information from the auditors in order to assess the suitability for appointment of the audit firm and designated individual partner; and
- When recommending the auditor for appointment or re-appointment at the AGM, ensuring that the proposed individual auditor does not appear on the JSE list of disqualified individual auditors.

COMPOSITION OF THE COMMITTEE

The Committee consists of four independent Non-Executive Directors, who are appropriately qualified and experienced to execute their responsibilities. Two members are required to have a quorum. During the year, the members of the Committee were as follows:

- Dr Solly Motuba (Chairperson)
- Refiloe Nkadimeng
- Dinao Lerutla
- Dr Kgaogelo Ntshwana

In addition, Quinton Zunga (CEO), Dion Mhlaba (CFO), Vuyokazi Nomvalo (Investment Executive) and Deloitte & Touche (the external auditors) are also permanent invitees to the meetings of the Committee.

MEETINGS

The Committee held four scheduled meetings during the year and the quorum was met at all the meetings.

2020 OVERVIEW

The Committee is satisfied that an adequate system of internal controls is in place to reduce significant risks faced by the Company to an acceptable level, and that these controls have been effective throughout the period under review. The system is designed to manage, rather than eliminate, the risk of failure and to maximise opportunities to achieve business objectives. This can provide only reasonable, but not absolute assurance, that the financial records may be relied on for the preparation of the annual financial statements. In addition, the Committee reviewed the financial control systems and the accounting systems and is satisfied with the design and effectiveness of the systems utilised during the current period.

As required by the JSE Limited Listing Requirements 3.84(f), the Audit and Risk Committee has satisfied itself that Dion Mhlaba, who served as the CFO throughout the financial year under review, has the appropriate experience and expertise to fulfil the responsibilities of the finance function.

The Committee has considered the key audit matter set out in the independent Auditor's Report and is satisfied that it is appropriately presented.

Key audit matter	How the matter was addressed
Valuation of financial assets at fair value through profit or loss	The Audit and Risk Committee received presentations on the material investments across the Group, including an analysis of the key judgements and assumptions applied, and approved the valuation adjustments proposed by management for the year ended 29 February 2020 and the appropriateness of the IFRS 13 disclosures on fair value. The judgements and assumptions used in the process of valuation for the investments in unlisted equities, were based on inputs that were corroborated by multiple external sources, and benchmarked to the SNG Grant Thornton Corporate Finance and Birkett Stewart Mchendrie Corporate Finance calculations for reasonability. The Audit and Risk Committee challenged and debated the significant subjective inputs and assumptions, and the valuation principles applied in the valuation of unlisted investments and properties. The Audit and Risk Committee was satisfied that the process applied in the valuation process was sufficiently robust to give a fair indication of the fair value of all investments.

The review of the Integrated Report together with the annual financial statements are also the responsibility of the Audit and Risk Committee. The Committee has evaluated the Integrated Report and annual financial statements of RH Bophelo Limited for the year ended 29 February 2020, and based on the information provided to the Audit and Risk Committee, considers that it complies, in all material respects, with the requirements of the various acts and regulations governing disclosure and reporting.

INTERNAL AUDIT

The Committee considered the nature, risks and internal control environment at the head office and concluded that it was not necessary to have a dedicated internal audit function given the nature of the business. As part of its Charter, the Committee has adopted the following approach in relation to internal audit:

- The internal audit function is being outsourced from a periodical basis to reputable service providers based on internal audit issues that may be identified from time to time;
- By practice, the Audit and Risk Committee holds risk workshops in order to update and assess its risk register and tasks an outsourced service provider to perform a risk rating on each risk identified; and
- In the current year, there was no risk workshop as the risk assessment and risk rating was concluded in the preceding year, where the Committee was satisfied that there were no significant changes to the business to warrant a risk review.

PROACTIVE JSE MONITORING

The Audit and Risk Committee has considered the JSE Pro-active monitoring letter dated 19 February 2020 in the review of the current year annual financial statements. The Audit and Risk Committee has satisfied itself that the Company has taken appropriate actions to address the letter. Refer to note 3.3. of the financial statements for additional disclosure.

EXTERNAL AUDIT

The Committee is further satisfied that Eugene Zungu (Engagement Partner), who has been designated as the lead partner for the current year, complies with the relevant provisions of the Companies Act and the JSE Listing Requirements. The Committee is satisfied with Mr Zungu's independence in relation to the Company and also with his fitness after having reviewed his qualifications and past experience.

Deloitte has served as external auditors of the Company since its inception. Deloitte complies with the Independent Regulatory Board for Auditors ("IRBA") ruling on prescribed mandatory audit firm rotation, which recommends rotation every 10 years. In line with its Charter, the Committee has reviewed the tenure of Deloitte and was satisfied with its independence.

Audit and Risk Committee Report continued

NON-AUDIT SERVICES

Deloitte & Touche Sponsor Services (Proprietary) Ltd provides sponsorship services to the Company. The Committee also considered the impact of the non-audit services that are provided by Deloitte & Touche Sponsor Services (Proprietary) Ltd and concluded that the auditor's independence was not compromised as the advisory function is a separate business unit from the audit function within Deloitte.

During the current year, the Company spent approximately R151 800 (2019: R120 000) on sponsorship services.

OTHER MATTERS

The Committee applied its judgement to the treatment of the various post-reporting period events, including the classification of the events and the additional disclosures provided in note 21. The Committee is satisfied that the post-reporting period events have been adequately assessed, and where applicable, have been disclosed appropriately.

RECOMMENDATION FOR APPROVAL

Based on the information obtained and discussions with management and the external auditors, the Committee has no reason to believe that there was any material breakdown in the design and operational effectiveness of the internal financial controls during the year. The Committee therefore believes that the financial records may be relied upon as the basis for the preparation of the annual financial statements.

In discharging its responsibilities, the Committee evaluated significant judgements and reporting decisions; determined that the going concern basis of reporting is appropriate; evaluated the material factors and risks that impact the annual financial statements and associated reports; and evaluated the completeness of the annual financial statements and the disclosures included therein.

The Committee is of the opinion that the annual financial statements comply in all material respects with the statutory requirements of the various regulations governing their disclosure and reporting. These include IFRS, the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and Financial Reporting Pronouncements issued by the Financial Reporting Standards Council, as well as the requirements of the Companies Act and the JSE Listing Requirements for Investment Entities.

The Committee accordingly recommended the annual financial statements to the Board for its approval.

Dr Solly Motuba
Audit and Risk Committee Chairperson
31 August 2020

Independent Auditor's Report

to the director of RH Bophelo Limited

Opinion

We have audited the annual financial statements of RH Bophelo Limited (the Company) set out on pages 95 to 133 which comprise the statement of financial position as at 29 February 2020. The statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of RH Bophelo Limited as at 29 February 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

Basis for opinion

We conducted our Audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together with the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

to the director of RH Bophelo Limited continued

Valuation of financial assets through profit and loss

Key audit matter	How the matter was addressed in the audit

As disclosed in note 6, the carrying value of financial assets through profit and loss is R509.7 million at 29 February 2020 (2019: R157.9 million).
 	
The fair value, of financial assets, is based on future cash flows of its underlying investments, and the use of appropriate discount rates. There is estimation involved in forecasting and discounting future cash flows, with the growth rates and discount rates being the most significant assumptions impacting the valuation.
 	
As the financial assets at fair value, through profit and loss balance is material to the Company, and the Directors exercise significant judgement in determining the fair value, the valuation thereof is considered to be a key audit matter.
	In assessing the fair value of financial assets, we obtained and assessed the fair valuation of the underlying investments and performed the following procedures:
	• We engaged our Corporate Finance and Financial Services Advisory valuation specialists to assist us with:
	  • Evaluating the Company's fair value calculations and the principles and methodology of the discounted cash flow models;
	  • Testing of inputs into the cash flow forecast against the companies' strategic plans;
	  • Testing the assumptions used to calculate the discount rates and recalculating those rates;
	  • Recomputing of the fair values; and
	  • Comparing the growth rates used for strategic plans and historical performance.
	• We assessed the design and implementation of controls around the valuation of the underlying investments.
	• We evaluated the disclosures against the requirements of International Financial Reporting Standards.
	Based on the results of the above procedures, we consider the carrying value of the financial asset through profit and loss to be reasonable and the disclosures to be appropriate.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "RH Bophelo Limited Audited Annual Financial Statements for the year ended 29 February 2020", which includes the Directors' Report, Directors' Responsibility Statement, Certification by the Company Secretary and the Audit and Risk Committee Report as required by the Companies Act 71 of 2008 of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information, and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Annual Financial Statements

The directors are responsible for the preparation, and fair presentation of the annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

to the director of RH Bophelo Limited continued

Auditor's responsibilities for the audit of the Annual Financial Statements (Continued)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions are taken to eliminate threats or related safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the annual financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of RH Bophelo Limited for four years.

Deloitte & Touche.

Deloitte and Touche
Registered Auditors
Per Eugene Zungu
Partner
31 August 2020

5 Magwa Crescent
Waterfall City
Johannesburg
Gauteng
2090

Directors' Report

1. THE COMPANY

The annual financial statements have been prepared for the year ended 29 February 2020.

2. PRINCIPAL ACTIVITIES

RH Bophelo Limited (the Company) is an investment entity listed on the Johannesburg Stock Exchange (JSE) and the Rwanda Stock Exchange (RSE). The Company seeks to generate returns for its shareholders through various investments in the healthcare sector and financial services. The Company engages in making equity, quasi-equity, and equity-related investments in healthcare and financial services, specifically in operational infrastructure, health insurance, private hospital infrastructure, pharmaceuticals, retail and distribution. The Company executes its investment mandate primarily through two wholly-owned subsidiaries, RH Bophelo Operating Company Proprietary Limited (RHBO) and RH Financial Services Proprietary Limited (RHFS). These subsidiaries are utilised to acquire various investments on behalf of the Company.

3. FINANCIAL RESULTS

The Directors are responsible for ensuring that the Company produces a set of annual financial statements that fairly present the state of affairs of the Company at the end of each financial year and the profit or loss for the year, in accordance with IFRS, the Companies Act, and the interpretations adopted by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides, the Financial Reporting Pronouncements (as issued by the Financial Reporting Standards Council) and the JSE.

For the financial period ending 29 February 2020, the Company recorded a total comprehensive income of R69 988 958 (2019: R21 160 889). Full details of the financial position and financial performance of the Company are contained in the detailed annual financial statements as set out on pages 95-133.

4. DIVIDENDS

There were no dividends declared in the current year or prior year.

5. DIRECTORS' FEES AND REMUNERATION

The Directors' emoluments and earnings have been disclosed under note 17.

6. DIRECTORATE

During the period covered by this report, the Directors of the Company were:

Solomon Motuba	Independent, Non-Executive	
Kgaugelo Ntshwana	Independent, Non-Executive	
Londeka Shezi	Independent, Non-Executive	Deceased -7 July 2019
Refiloe Nkadimeng	Independent, Non-Executive	Appointed -10 October 2019
Dinao Lerutla	Independent, Non-Executive	Appointed -10 October 2019
Bojane Segooa	Independent, Non-Executive	Appointed -10 October 2019
John Oliphant	Non-Executive Chairman	
David Sekete	Non-Executive	
Peter Mehlape	Non-Executive	Resigned -2 August 2019
Quinton Zunga	Executive	
Dion Mhlaba	Executive	
Vuyokazi Nomvalo	Executive	
Colin Clarke	Executive	Appointed -3 September 2019

Directors' Report continued

7. GOING CONCERN

The annual financial statements are prepared on the going concern basis, as the Directors are of the view that the Company has adequate financial resources to continue for the foreseeable future, based on cash flow forecasts and available cash resources. As at year end the Company had a positive net asset value of R646 608 844 (2019: R530 119 886) and a positive net current asset position of R123 476 138 (2019: R375 940 776). Refer to note 10 below for the assessment made on the impact of Covid-19 on the Company's going concern assumption.

8. 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).

During the year, the Company issued 4 684 179 shares at an average price of R9.93 per share to fund acquisitions made in the current year.

The total number of ordinary shares in issue as at 29 February 2020 is 55 934 179 (2019: 51 250 000).

9. MATERIAL EVENTS

Investments and loans

During the year, the Company increased its investments in unlisted equity investments and provided additional loans to investee companies.

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). This comprised:

- 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 transactions:

New acquisitions made by RHFS:

- Wesmart Financial and Administration Solutions Proprietary Limited (Wesmart)

New acquisitions made by RHBO:

- RH Bell Proprietary Limited and Notamed Proprietary Limited (RH Bell Clinic);
- BMC Gilliwie 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 (PBHPM).

Additional investments made by RHBO:

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

Further details regarding the investments and loans made in the current year are contained in notes 6 and 7.

10. EVENTS AFTER THE REPORTING PERIOD

Since the end of the financial reporting period on 29 February 2020, a series of events have materialised that the Directors wish to bring to the attention of all stakeholders. The events are classified into the following categories:

- Corporate events;
- Dual listing;
- The outbreak of the Coronavirus pandemic; and
- The approach of the South African government in managing the impact of the Coronavirus pandemic.

Corporate events

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

- Acquisition of 25% of issued share capital in Genric Insurance Company Limited from existing shareholders;
- Acquisition of 70% of Rondebosch Medical Centre Proprietary Limited from existing shareholders; and
- Approval of R10 million financial support package during the COVID period to assist investee companies.

Refer to note 21 for further details.

Dual listing

On 1 June 2020, the Company concluded its secondary listing on the RSE by way of an introduction (RSE Listing). The Company's primary listing and exchange will remain as the Johannesburg Stock Exchange with the RSE Listing being a secondary listing (Secondary Listing). The purpose of the RSE Listing is to enable the Company's A Ordinary Shares (Shares) to be available to the wider East African investor public, to further diversify the Company's investor base and provide 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 direct ownership. No capital was raised during the listing.

The listing has no impact on the annual financial statements for the year ended 29 February 2020.

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 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 socio-economic value chain. In South Africa, the measures implemented have been lauded by the World Health Organisation for their promptness and effectiveness. As a player in the healthcare sector value chain in South Africa, our business has found itself at the frontline of the intervention measures.

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 Group's investments operate in the healthcare sector and were classified as essential services. 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. Refer to note 21 for additional disclosure.

Directors' Report continued

10. EVENTS AFTER THE REPORTING PERIOD continued

Application of IAS 10 Events after the Reporting Period

IAS 10 Events after the Reporting Period are 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 as '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 its 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 March 2020. In addition, the government of the Republic of South Africa declared a National State of Disaster on the 15 March 2020. The resultant impact on the annual 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.

Additional details on post-reporting period events are contained in note 21 to the annual financial statements.

Statement of Financial Position

as at 29 February 2020

	Notes	2020 R	2019 R
ASSETS			
Non-Current Assets			
Financial assets at fair value through profit or loss	6	509 735 040	157 896 791
Loans to group companies	7	35 945 632	–
		545 680 672	**157 896 791**
Current Assets			
Loans to group companies	7	4 307 909	2 338 541
Other receivables	8	1 120 555	1 432 736
Current tax receivable	9	–	332 216
Cash and cash equivalents	10	120 069 140	373 548 658
		125 497 604	**377 652 151**
Total Assets		**671 178 276**	**535 548 942**
EQUITY AND LIABILITIES			
Equity			
Stated capital	11	547 339 672	500 839 672
Retained income		99 269 172	29 280 214
		646 608 844	**530 119 886**
LIABILITIES			
Non-Current Liabilities			
Deferred tax	9	22 547 966	3 717 681
Current Liabilities			
Other payables	12	1 582 078	1 711 375
Current tax payables	9	439 388	–
		2 021 466	**1 711 375**
Total Liabilities		**24 569 432**	**5 429 056**
Total Equity and Liabilities		**671 178 276**	**535 548 942**

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 29 February 2020

	Notes	2020 R	Restated* 2019 R
INVESTMENT INCOME			
Interest income	13	21 526 749	24 490 345
Interest expense	13	(203 859)	–
Gains from financial instruments at fair value through profit or loss	14	84 063 771	16 596 791
Total investment income		**105 386 661**	**41 087 136**
Other income	15	1 984 110	230 475
EXPENSES			
Professional services fees		(7 911 712)	(5 164 314)
Management fees		(3 374 698)	(4 363 015)
Other operating expenses		(5 625 632)	(3 647 227)
	16	**(16 912 042)**	**(13 174 556)**
Total income before tax		**90 458 729**	**28 143 055**
Income tax	9	(20 469 771)	(6 982 166)
Total income after tax		**69 988 958**	**21 160 889**
Other comprehensive income		–	–
Total comprehensive income		**69 988 958**	**21 160 889**
EARNINGS PER SHARE			
Per share information			
Basic earnings per share (R)	24	1.31	0.42
Diluted earnings per share (R)	24	1.31	0.42

**Refer to note 3.5 for the details of the restatement.*

Statement of Changes in Equity

for the year ended 29 February 2020

	Notes	Total stated capital R	Retained income R	Total equity R
Balance at 1 March 2018		**487 826 373**	**8 119 325**	**495 945 698**
Total comprehensive income for the year		–	21 160 889	21 160 889
Shares issued		13 013 299	–	13 013 299
Balance at 1 March 2019		**500 839 672**	**29 280 214**	**530 119 886**
Total comprehensive income for the year		–	69 988 958	69 988 958
Shares issued		46 500 000	–	46 500 000
Balance at 29 February 2020	**11**	**547 339 672**	**99 269 172**	**646 608 844**

Statement of Cash Flows

for the year ended 29 February 2020

	Notes	2020 R	2019 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Total income before tax		90 458 729	28 143 055
Non-cash items:			
Interest accrued on loans to group companies	13	(1 106 504)	–
Gains from financial instruments at fair value through profit or loss	14	(84 063 771)	(16 596 791)
Changes in working capital:			
Decrease / (increase) in other receivables	8	312 181	(1 432 736)
Decrease in other payables	12	(129 297)	(1 406 345)
Cash generated from operations		5 471 338	8 707 183
Income tax paid	9	(867 882)	(3 596 701)
Net cash generated from operating activities		**4 603 456**	**5 110 482**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial instruments at fair value through profit or loss	6	(226 421 515)	(128 286 701)
Loans to group companies repaid	7	2 338 541	–
Loans issued to group companies	7	(34 000 000)	(2 338 541)
Net cash utilised from investing activities		**(258 082 974)**	**(130 625 242)**
Net decrease in cash and cash equivalents		**(253 479 518)**	**(125 514 760)**
Cash and cash equivalents at the beginning of the year		373 548 658	499 063 418
Cash and cash equivalents at the end of the year	10	**120 069 140**	**373 548 658**

Notes to the Annual Financial Statements

1. GENERAL INFORMATION

RH Bophelo Limited (the Company) is a legal entity registered in the Republic of South Africa. The Company engages in making equity, quasi-equity and equity-related investments in healthcare and financial services, specifically in operational infrastructure, including health insurance, private hospital-related infrastructure, pharmaceuticals, retails and distributions. The Company was incorporated on 13 December 2016.

RH Bophelo Operating Proprietary Limited (RHBO) and RH Financial Services Proprietary Limited (RHFS) are wholly-owned subsidiaries of the Company, which are utilised to acquire investments on behalf of the Company.

The Company has appointed RH Bophelo Management Company Proprietary Limited as its investment manager, to manage its investment portfolio, which includes advice on the Company's investment decisions, in line with section 15 of JSE listing requirements. The relationship between the Company and RH Bophelo Management Company Proprietary Limited is governed by a shareholder-approved management agreement.

2. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ISSUE

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

New standards issued and effective:

- IFRS 16 *Leases*;
- Annual improvements to IFRS Standards (2015 -2017); and
- IFRIC 23 -*Uncertainty over Income Tax Treatments.*

Adoption of IFRS 16 *Leases*

IFRS 16 Leases if effective for accounting periods beginning on or after 1 January 2019. IFRS 16 replaces IAS 17 Leases along with three interpretations (IFRIC 4 Determining whether an Arrangement contains a lease; SIC 15 operating Leases - incentives; and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). IFRS 16 requires the recognition of a right-of-use asset and a corresponding lease liability in the statement of financial position by a lessee. The Company is a lessee as it currently rents its head office premises. Upon adoption of the new standard, the Company concluded that the lease relating to its head office premises is a short-term lease as defined in IFRS 16. The Company elected to recognise the lease payments as an expense on a straight lines basis over the lease term.

Adoption of IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 *Uncertainty over Income Tax Treatments* has been issued by the IASB to clarify how the recognition and measurement requirements of IAS 12 *Income Taxes*, are applied where there is uncertainty over income tax treatments. In the preparation of its annual financial statements, the Company has not identified any material transactions whose tax treatment is uncertain under the tax laws of its primary jurisdiction of South Africa. Consequently, the adoption of IFRIC 23 had no impact on the annual financial statements for the year ended 29 February 2020.

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 amendments of these new standards had no material impact on the Company and its financial results.

2.2 The following accounting standards, interpretations and amendments have been issued but were not yet effective as at 29 February 2020:

New standards issued:

- IFRS 17 *Insurance Contracts*.

Amendments to the following standards:

- References to the *Conceptual Framework* in IFRS Standards;
- IFRS 3 *Business Combinations*;
- IFRS 7 *Financial instruments: Disclosures*, IFRS 9 *Financial instruments* and IAS 39: Interest Rate Benchmark Reform; and
- IAS 1 *Presentation and Disclosure* and IAS 8: Definition of Material.

The adoption of these new standards is not expected to have a material impact on the Company.

Notes to the Annual Financial Statements continued

3. BASIS OF PREPARATION

3.1 Statement of compliance and basis of preparation

The annual financial statements have been prepared in accordance with the IFRS as issued by the IASB, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in the manner required by the Companies Act of South Africa and the JSE Listing Requirements. These annual financial statements have been prepared on the historical cost basis, except where indicated otherwise.

3.2 Functional and presentation currency

Items included in the annual financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The annual financial statements are presented in South African Rand, which is also considered by the Directors to be the Company's functional currency.

3.3 JSE Proactive Monitoring

The JSE proactive monitoring panel reviewed the 2019 audited annual financial statements, where disclosure deficiencies were identified. In the current year, the Company has enhanced its disclosures and its policies in order to improve its reporting in line with IFRS and the assessment outcome by the JSE proactive monitoring panel.

The Company updated its accounting policy on loans to group companies and improved its disclosure and the notes to financial assets at fair value through profit or loss, loans to group companies, taxation and related parties. Notes relating to other payables, gains from financial instruments at fair value through profit or loss, interest income and expense, other income, total expenses, commitments and financial support and segment reporting have been disclosed for the first time when compared to the prior year financial statements.

3.4 Supplementary information

The supplementary information includes non-IFRS disclosures that have been included as part of JSE reporting requirements. It also includes details regarding major shareholders and shareholder analysis per JSE Listing Requirements 3.43 of public and non-public shareholders.

3.5 Restatement of prior year results

The prior year restatement is due to changes in the presentation of the statement of profit or loss and other comprehensive income and notes to the annual financial statements. This restatement does not result in a change in the earnings per share and headlines earnings per share recognised in the prior year audited financial statements.

Impact of changes in the statement of profit or loss and other comprehensive income:

In the prior year, the amounts relating to 'other income' of R230 475 were disclosed under total investment income. In the current year, 'other income' has not been presented as part of 'investment income', due to the nature of the income included in other income not regarded as an investment income. Other income comprises of due diligence recovered, board fees accrued, and other fees accrued to the Company.

Impact of changes to notes to the financial statements:

The nature, amounts and reasons for reclassifications are explained in detail in the disclosure of financial assets at fair value through profit or loss (note 6), loans to group companies (notes 5,4 and 7), other receivables (note 8), related parties (note 18) and market risk (note 26.3). The nature, amounts and reasons for reclassifications are explained in detail in the respective notes.

3.6 Change statement

The change statement highlights the changes between the annual financial statements and published reviewed results on 31 July 2020. These changes had no impact on earnings per share, headline earnings per share and/or the amounts presented in the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows.

The changes in the notes to the financial statements included in 'financial assets at fair value through profit or loss' and 'related parties'.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the 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 annual financial statements includes the determination of fair value for assets that are carried at fair value through profit or loss.

4.1 Investment entities

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

According to IFRS 10, an investment entity that 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 of its investments on a fair value basis.

After conducting an assessment of the Company's activities and business purpose, the Board 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 services 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 its investors are not related parties. Additionally our interest is mainly in equity form in all our investments. The Company's approved investment policy documents the Company's exit strategy, which outlines the Company's approach to managing its investments.

The Company has set up RHBO and RHFS as separate legal entities in line with the business model for managing healthcare and financial services as discrete business segments. RHBO and RHFS also committed to investors that their business purpose is to invest in commercially viable healthcare and financial assets that are cashflow positive or will be cashflow positive within 12 months. The two entities measure and evaluate the performance of all 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 are 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.

Notes to the Annual Financial Statements continued

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

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, which 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.

4.2 Unlisted investments

In valuing unlisted investments that 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 (TGR), earnings before interest, tax, depreciation and amortisation (EBITDA), compounded annual growth rate (CAGR) and capitalisation rates to be used in the sum of the parts valuation (SOTP).

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. Judgement 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 to the earnings yield method and 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 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 discounted cash flow (DCF) method, whilst the properties are valued according to 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, judgement 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 WACC.

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 included in note 6.

5. 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 annual financial statements.

5.1 Financial instruments

5.1.1 Recognition and classification

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 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 assets.

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 that 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.

5.1.2 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.

5.1.3 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 group 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.

Notes to the Annual Financial Statements continued

5. ACCOUNTING POLICIES continued

Impairment of financial assets

The impairment model is applied only on financial assets measured at amortised cost. The Company measures its financial assets at fair value through profit or loss with the exception of 'other receivables' and cash and cash equivalents that are both measured at amortised cost.

The Company applies the IFRS 9 simplified approach in measuring expected credit losses for its other receivables, which uses a lifetime expected loss allowance. To measure the expected credit losses, other receivables have been grouped based on shared credit risk characteristics and the number of days past due. No loss allowance is calculated on receivables due from SARS.

Expected credit losses on other receivables are presented as credit losses within operating expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

Due to the short-term nature of the cash and cash equivalents, and the fact that all counter parties are well established financial institutions with a good credit rating; no credit losses are estimated for the cash balances.

5.1.4 Derecognition of financial assets

The Company derecognises a financial asset when:

- The contractual rights to the cash flows from the financial asset expires; or
- The financial asset is transferred, resulting in the transfer of substantially all the risk and rewards of ownership and the Company no longer retains control of the asset.

Derecognition of financial liabilities

The Company derecognises a financial liability when the obligation per the contract has been fulfilled or expired.

5.2 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less.

Cash and cash equivalents are classified at amortised cost. Due to the short-term nature of cash and cash equivalents, the amortised cost approximates fair value. No credit loss allowances are provided for on cash and cash equivalents.

5.3 Other receivables

Other receivables are initially measured at fair value. The transaction price is the amount of the consideration to which an entity expects to be entitled in exchange for transferring promised goods and services, excluding amounts collected on behalf of third parties.

Other receivables are subsequently measured at amortised cost and derecognised upon settlement by the counterparty or when impaired.

For the purposes of applying the impairment model on other receivables, the Company measures the loss allowance at an amount equal to the life time expected credit losses using the simplified approach.

5.4 Loans to group companies

The Company provides loans to investee companies based on the needs to fund critical projects of 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 primarily 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 measures 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 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, 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.

5.5 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.

The investments are initially measured at fair value with the transaction costs expensed in 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 based 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.

A summary of the unlisted investments is contained in note 6.

5.6 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised as the proceeds received, net of direct issue costs.

5.7 Income tax

Income tax represents current tax and deferred tax. The adoption of IFRS 23 Uncertainty over Income Tax Treatments had no effect on how the Company accounts for income tax.

5.7.1 Current tax assets and liabilities

The current tax asset or liability is based on taxable profit or loss for the year. Taxable profit or loss differs from profit/loss as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

5.7.2 Deferred tax liabilities

Deferred tax is recognised as the temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Such deferred tax liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5.8 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 the arrangement 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 was short-term in nature. The short-term exemption allowed by IFRS 16 was applied in respect of this lease. The rental expense in respect of this lease has been disclosed in note 16.

Notes to the Annual Financial Statements continued

5. ACCOUNTING POLICIES continued

5.9 Investment income

The Company's investment income is made up of interest and gains or losses on financial assets that are recognised on the accrual basis.

- Interest income (interest income from loans to group companies and interest income from bank balances) is recognised in the statement of profit or loss.
- Fair value movements through profit or loss consist of fair value gains or loss from financial assets measured at fair value through profit or loss. These are recognised on a bi-annual basis, using a suitable valuation methodology.

5.10 Other income

Other income mainly comprises due diligence costs recovered after a transaction has been successfully concluded.

5.11 Segment reporting

The Company's Executive Committee – made up of the CEO, the CFO and all operational executives – fulfils the role of the chief operating decision maker (CODM). The Executive Committee has been allocated the responsibility to continuously monitor the various components of the business and allocate capital and strategic resources based on the performance of each component. The Committee achieves this through internal reporting on each component on a monthly and quarterly basis.

The Executive Committee – as the 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.

The reporting segments were identified after applying the quantitative thresholds and after aggregating operating segments with similar characteristics. The related nature and complementarity of the services and focus areas are considered in aggregating operating segments into a reportable segment. Furthermore, discrete financial information is prepared and evaluated by the CODM in relation to the two segments identified.

The CODM regularly reviews the operating results of the healthcare and financial services segment and allocates resources based on the results of the reviews. In line with the exemption from consolidation and applying equity accounting, the Company does not account for associates in each segment using the equity method. Such investments are accounted for at fair value.

The financial performance and financial position of each segment have been disclosed in note 25.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 R	2019 R
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
	509 735 040	**157 896 791**

Additions include investments in unlisted equities for the current year in RHBO, RHFS and RH 12J. The Company's investments are made in entities that are operating in South Africa. The investments are measured at fair value through profit or loss. The investments under RHBO and RH 12J have been allocated to the healthcare investment portfolio and those under RHFS have been allocated to the financial services investment 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 5.5 and 7).*

Investments in unlisted equity instruments – reconciliation

2020

R	Opening balance	Additions*	Fair value changes**	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
	157 896 791	**272 921 515**	**84 684 912**	**(5 768 178)**	**509 735 040**

2019

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

** Refer to note 20 for additional disclosure.*

***Refer to note 14.*

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 input on the amounts recognised in the financial statements. Refer to note 6.2.

In relation to the sensitivity analysis, forward-looking information and assumptions relating to EBITDA and WACC are limited by the fact that the Covid-19 impact on the future projections is still difficult to predict and estimate with a high degree of confidence. As a result, the sensitivity analysis for investments excludes the Covid-19 impact. Refer to note 21

Notes to the Annual Financial Statements continued

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS continued

6.1 Summary of significant investments

2020

Entity	Description	Economic interest	Fair value at year end (R)	WACC	Proportion of total investments
Investments in subsidiaries*					
Africa Healthcare	Operates and owns hospitals and manufactures healthcare clothing	100%	224 517 546	17.2%	44%
Vryburg Private Hospital	Hospital services and investment property	81%	26 545 792	17.2%	5%
Medicare Hospital	Hospital services and investment property	51%	120 282 740	16.9%	24%
RH Bell Clinic	Hospital services and investment property	100%	39 088 060	19.0%	8%
Fauchard Clinic	Hospital services and investment property	100%	28 452 081	20.2%	6%
Investment in associates*					
Rondebosch Medical Centre	Hospital services	30%	46 130 735	18.3%	9%

**Each of the investments listed here represents at least 5% of the total value of the investments at fair value through profit or loss. The DCF method was used to value all investments using a terminal growth rate of 5.1%.*

RHBO has an option to acquire a further 21% in Rondebosch Medical Centre. The exercise price will only be determined independently based on the market conditions at the time of sale; therefore the valuation of the option was determined to be nil.

2019

Entity	Description	Economic interest	Fair value at year end (R)	WACC	Proportion of total investments
Investments in subsidiaries*					
Africa Healthcare	Hospital services and investment property	60%	95 489 661	18.0%	60%
Vryburg Private Hospital**	Hospital services and investment property	76%	28 421 964	18.0%	17%
Investments in associate*					
Rondebosch Medical Centre	Hospital services	30%	35 000 001	18.0%	22%

** Each of the investments listed here represents at least 5% of the total value of the investments at fair value through profit or loss. The DCF method was used to value all investments using a terminal growth rate range of 6.5% and 7.3%.*

*** Reported in the prior year is an amount of R27 154 529, excluding a shareholder loan to Vryburg Private Hospital of R1 267 435. In the current year, the investment includes both the value of the investments and shareholder loan to Vryburg Private Hospital. Consequently, prior year and reviewed results has been restated.*

6.2 Sensitivity analysis

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%	6.5% and 7.3%
WACC (Weighted Average Cost of Capital)	16.9% to 22.2%	18.0%
EBITDA (Earnings before interest, tax, depreciation and amortisation)	8%	*10%
Market interest rate	9.75% to 10.75%	10% to 10.25%

** The disclosures relating to EBITDA are based on a seven-year compounded annual growth rate and have been provided as part of the enhanced reporting on the sensitivity analysis for investments.*

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

Sensitivity analysis provided as part of the JSE Proactive monitoring process, see note 3.3.

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

The Company does not expect the unobservable inputs to fluctuate by more than 25 basis points on the capitalisation rate, terminal growth rate, weighted average cost of capital and market interest rates and 250 basis points earnings before interest, tax, depreciation and amortisation was deemed as an appropriate measurement for the sensitivity analysis on investments.

	2020		2019	
Significant unobservable input	**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)
Total	37 099 728	(35 114 288)	11 563 555	(10 890 869)
Current fair value as at year end	**509 735 040**	**509 735 040**	**157 896 791**	**157 896 791**
Fair value after accounting for total effect of changes in inputs	546 834 768	474 620 752	169 460 346	147 005 922

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

Notes to the Annual Financial Statements continued

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS continued

6.3 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:

Investments with a property component	Total fair value at year end (R)	Property value included in valuation (R)	Capitalisation rate (%)	Changes in capitalisation rate (R)	
2020				Favourable (-25 bps)	Unfavourable (+25 bps)
Africa Healthcare	224 517 546	11 000 000	12	234 043	(224 490)
Vryburg Private Hospital	26 545 792	22 906 800	11	532 716	(509 040)
Medicare Private 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)

Investments with a property component	Total fair value at year end (R)	Property value included in valuation (R)	Capitalisation rate (%)	Changes in capitalisation rate (R)	
2019				Favourable (-25 bps)	Unfavourable (+25 bps)
Vryburg Private Hospital	28 421 964	20 520 000	11	477 209	(456 000)

Sensitivity analysis provided as part of the JSE Proactive monitoring, refer to note 3.3.

6.4 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

Significant unobservable input		WACC		EBITDA		TGR	
Subsidiaries	**Total fair value at year end**	**Favourable -25 bps**	**Unfavourable +25 bps**	**Favourable +250 bps**	**Unfavourable -250 bps**	**Favourable +25 bps**	**Unfavourable -25 bps**
Africa Healthcare	224 517 546	4 241 113	(4 074 127)	7 049 825	(7 079 825)	2 246 292	(2 155 443)
Vryburg Private Hospital	26 545 792	206 493	(283 882)	428 852	(438 852)	143 667	(137 969)
Medicare Private 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)
Associates							
Rondebosch Medical Centre	46 130 735	879 844	(1 099 905)	1 293 576	(1 293 576)	496 374	(477 868)

2019

Significant unobservable input		WACC		EBITDA		TGR	
Subsidiaries	**Total fair value at year end**	**Favourable -25 bps**	**Unfavourable +25 bps**	**Favourable +250 bps**	**Unfavourable -250 bps**	**Favourable +25 bps**	**Unfavourable -25 bps**
Africa Healthcare	95 489 661	1 888 944	(1 648 003)	2 998 364	(3 011 124)	1 040 331	(831 773)
Vryburg Private Hospital	28 421 964	251 403	(240 980)	438 852	(436 850)	143 667	(137 969)
Associates							
Rondebosch Medical Centre	35 000 001	658 200	(822 825)	981 453	(981 453)	728 818	(847 682)

In the prior year, the sensitivities were based on +5 bps and -5 bps, in order to maintain consistency with the current year disclosure, an average current year movement based on +25 bps and -25 bps has been applied for the WACC and TGR.

Change statement relating to the sensitivities on investments for unobservable inputs has been recalculated and corrected when compared to reviewed results.

Notes to the Annual Financial Statements continued

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS continued

6.5 Investment portfolio reconciliation of current year movements

The table has been provided as part of the section 15 of the JSE listing requirements.

2020-RHBO portfolio

Subsidiaries	Opening balance R	Additions R	Fair value changes R	Day 1 gains	Closing balance R
Africa Healthcare	95 489 661	60 000 000	71 524 867	(2 496 982)	224 517 546
Vryburg Private Hospital*	28 421 964	2 818 000	(4 694 172)	–	26 545 792
Medicare Private Hospital	60 000	120 937 068	(714 328)	–	120 282 740
RH Bell Clinic	–	41 118 893	1 240 363	(3 271 196)	39 088 060
Fauchard Clinic	–	25 232 344	3 219 737	–	28 452 081
Associates					
Rondebosch Medical Centre**	35 000 001	–	11 130 734	–	46 130 735
Phelang Bonolo Healthcare Procurement and Management Proprietary Limited	–	12 504 000	(997 935)	–	11 506 065
	158 971 626	262 610 305	80 709 266	(5 768 178)	496 523 019
Other	(1 074 835)	4 161 210	4 164 944	–	7 251 319
	157 896 791	266 771 515	84 874 210	(5 768 178)	503 774 338

2020 RHFS portfolio

Subsidiaries					
Wesmart***	-	3 650 000	96 257	–	3 746 257
	-	**3 650 000**	**96 257**	**–**	**3 746 257**

* *Includes shareholder loan issued by RHBO for R1.25 million. The loan had a fair value of R3,1 million at 29 February 2020.*

** *Includes shareholder loan issued by RHBO with a fair value of R33.8 million as at 29 February 2020.*

*** *Includes shareholder loan issued by RHFS for R0.9 million. The loan had a fair value of R0.9 million as at 29 February 2020.*

2019 RHBO portfolio

Subsidiaries	Opening balance R	Additions R	Fair value changes R	Closing balance R
Africa Healthcare	–	62 500 000	32 989 661	95 489 661
Vryburg Private Hospital*	–	25 587 435	2 834 529	28 421 964
Medicare Private Hospital	–	60 000	–	60 000
Associates				
Rondebosch Medical Centre**	–	50 000 000	(14 999 999)	35 000 001
	–	138 147 435	20 824 191	158 971 626
Other	–	3 152 565	(4 227 400)	(1 074 835)
	–	**141 300 000**	**16 596 791**	**157 896 791**

**Includes shareholder loan issued by RHBO for R1.2 million. The loan had a fair value of R1.2 million as at 28 February 2019.*

***Includes shareholder loan issued by RHBO for R50 million. The loan had a fair value of R35 million as at 28 February 2019.*

The presentation has been reorganised in order to improve the reconciliation of the underlying investments in line with the JSE proactive monitoring panel; consequently, the prior year comparison has been restated.

Restatement

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 Private Hospital, was erroneously noted as a loan made by 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.

7. LOANS TO GROUP COMPANIES

	2020 R	2019 R
Opening balance	2 338 541	–
Additions	34 000 000	2 338 541
Day 1 gains	5 768 178	–
Capital repayments	(2 338 541)	–
Interest accrued	1 106 504	–
Fair value adjustment	(621 141)	–
	40 253 541	**2 338 541**
Classification		
Current assets	4 307 909	2 338 541
Non-current assets	35 945 632	–
	40 253 541	**2 338 541**

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.

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

Notes to the Annual Financial Statements continued

7. LOANS TO GROUP COMPANIES

7.1 Reconciliation of loans to group companies held at fair value through profit or loss

	2020 R	2019 R
Africa Healthcare Proprietary Limited:		
Opening balance	–	–
Additions	14 000 000	–
Day 1 gain deferred	2 496 983	–
Interest accrued	359 695	–
Fair value adjustment	(615 046)	–
	16 241 632	**–**

The Company issued the loan to Africa Healthcare Proprietary Limited in December 2019 at 15% interest rate which is repayable after 5 years to enable Africa Healthcare Proprietary Limited to finance expansions.

	2020 R	2019 R
Notamed Proprietary Limited		
Opening balance	–	–
Additions	20 000 000	–
Day 1 gains deferred	3 271 195	–
Interest accrued	746 809	–
Fair value adjustment	(6 095)	–
	24 011 909	**–**

The Company issued the loan to Notamed Proprietary Limited in December 2019 at 15% interest rate which is repayable after 5 years to enable Nomated Proprietary Limited to finance expansions.

	2020 R	2019 R
RH Bophelo Operating Proprietary Limited:		
Opening balance	2 338 541	–
Additions	–	2 338 541
Repayments	(2 338 541)	–
	–	**2 338 541**

The loan between the Company and RHBO was an interest-free short-term loan that was fully settled during the year. No fair value assessment was performed in the prior year as the cost was deemed to approximate fair value.

7.2 Sensitivity analysis

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.

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

Loans at fair value through Profit or Loss

R	2020		2019	
Significant unobservable input	**Favourable changes (-25 bps)**	**Unfavourable changes (+25 bps)**	**Favourable changes (-25 bps)**	**Unfavourable changes (+25 bps)**
Market interest rate (prime + 1%)	337 170	(347 280)	19 588	(20 175)
Current fair value as at year end	**40 253 541**	**40 253 541**	**2 338 541**	**2 338 541**
Fair value after accounting for total effect of changes in inputs	40 590 711	39 906 261	2 358 129	2 318 366

Restated to include sensitivity analysis for 2019, which had been omitted.

8. OTHER RECEIVABLES

	2020 R	2019 R
SARS VAT	795 529	1 022 587
Other related party loans*	–	165 474
Fees receivable**	366 384	244 675
Allowance for expected credit losses***	(41 358)	–
	1 120 555	**1 432 736**

* *Short-term loans that relate to new special purpose vehicles in preparation for new investments and a favourable loan balance of R14 286 with RH Bophelo Management Company.*

** *Included in the prior year fees receivable is an amount of R238 050 due from Rondebosch Medical Centre. Fees receivable include professional fees not yet recovered at year end.*

*** *Expected credit losses are calculated for some receivables held at amortised cost in line with the impairment model of IFRS 9.*

The prior year note has been restated, where an amount R165 474 included as part of 'other' has been reclassified to 'other related party loans' and an amount of R244 675 included as part of 'other related party loans' has been reclassified to 'fees receivable'.

Notes to the Annual Financial Statements continued

9. TAXATION

	2020 R	2019 R
South African Income tax		
Normal taxation -current year	1 639 486	3 264 485
Deferred taxation -current year	18 830 285	3 717 681
	20 469 771	**6 982 166**
Normal tax reconciliation:		
Profit before tax	90 458 729	28 143 055
Tax at 28%	25 328 444	7 880 055
Tax effect of adjustments on taxable income		
Less gain on financial assets through profit or loss at standard tax rate	(23 537 856)	(4 647 101)
Add gain on financial assets through profit or loss at capital gains tax rate	18 830 285	3 717 681
Add impact of non-deductible professional fees	540 213	31 531
Less investment in a s12 J fund	(700 000)	-
Add allowance for expected credit losses - s11j	8 685	-
	20 469 771	**6 982 166**
Movement in deferred tax		
Opening balance	3 717 681	–
Fair value through profit or loss investments	18 830 285	3 717 681
Closing balance	22 547 966	3 717 681
Income tax paid		
Current tax receivable at the beginning of the year	332 216	–
Income tax for the year	(1 639 486)	(3 264 485)
Amount paid	867 882	3 596 701
Current tax (payable)/receivable	**(439 388)**	**332 216**

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2020 R	2019 R
Investment account	116 729 717	350 221 087
Current account	3 339 423	23 327 571
	120 069 140	**373 548 658**

Cash and cash equivalents consists of the Company's cash balances held in a current account and an investment account with First National Bank. Included in this balance is an amount of R3 million held in favour of Wesmart on behalf of Genric Insurance Company Limited, in terms of the cell captive agreement.

11. STATED CAPITAL

Authorised

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.)

1 "B" restrictive class of shares with no voting rights and not transferable. (2019: 1 "B" restrictive class of shares with no voting rights and not transferable.)

Issued

55 934 179 "A" ordinary shares with no par value (2019: 51 250 000 "A" ordinary share in issue) 1 "B" share with no par value (2019: 1 "B" share in issue)

Reconciliation of issued "A" shares

	Number of shares 2020	Number of shares 2019
Opening balance	51 250 000	50 000 000
Issued during the year*	4 684 179	1 250 000
Closing Balance	**55 934 179**	**51 250 000**

** During the current year, 4 684 179 shares were issued at an average price of R9.93 as part of the settlement for the Africa Healthcare Proprietary Limited and Medicare Private Hospital acquisition respectively, whilst in the prior year only 1 250 000 at R10.00 were issued. Transaction costs associated with the issue of the Company's shares are set off against the proceeds from the issue of equity instruments. Transaction costs related to the issue of the shares in 2020 were immaterial.*

As at year end, the Company had 2.9 million unissued shares under the control of the Directors.

Reconciliation of issued "B" shares

RH Bophelo Management Company Proprietary Limited	1	1

The Company manages its capital in a manner that seeks to ensure that it can invest in entities that will assist in maximising returns to shareholders. The Company is committed to utilising both debt and equity in acquiring strategic investments. This strategy remains unchanged from the prior year. The Company is not subject to any externally imposed capital requirements.

The Board, through its Investment Committee, reviews the capital structure on an annual basis. As part of this review, the Committee considers the cost of capital and the risks associated with each class of capital. The Company has a target gearing ratio of 30% determined as the proportion of net debt to equity. The gearing ratio at 29 February 2020 of 0% was below the target range and has remained at 0% since the reporting date.

Net asset value per share and tangible net asset value per share as per below

The net asset value per share at year end is R11.56 (2019: R10.34).
The tangible net asset value per share at year end is R11.56 (2019: R10.34)

12. OTHER PAYABLES

	2020 R	2019 R
Accounts payable*	1 532 078	1 711 375
Accrued expenses	50 000	–
	1 582 078	**1 711 375**

** Accounts payable are mainly in relation to day-to-day administrative expenses of the Company.*

Notes to the Annual Financial Statements continued

13. INTEREST INCOME AND EXPENSE

	2020 R	2019 R
Interest income from the bank balances	19 291 752	24 490 345
Interest income from group loans*	2 234 997	–
Total interest income	21 526 749	24 490 345
Interest expense	(203 859)	–
	21 322 890	**24 490 345**

**Interest income was from loans with Africa Healthcare Proprietary Limited and Notamed Proprietary Limited, of which R1 106 504 had not been paid by year end. Refer to note 7 where loans to group companies are disclosed.*

14. GAINS FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Fair value gains

	2020 R	2019 R
Financial assets designated as at fair value through profit or loss*	84 063 771	16 596 791
Fair value adjustment of loans to group companies*	(621 141)	–
Fair value adjustment of investments*	84 684 912	16 596 791
	84 063 771	**16 596 791**

**Refer to note 6 and 7 for full detailed reconciliation.*

15. OTHER INCOME

	2020 R	2019 R
Professional fees recovered*	1 728 310	23 475
Other income**	255 800	207 000
	1 984 110	**230 475**

** Recoveries are linked to costs incurred such as due diligence and conferencing.*

*** Fees for board participation in Rondebosch Medical Centre.*

16. EXPENSES

Other operating expenses included the following:

	2020 R	2019 R
Marketing and advertising	(1 375 278)	(631 566)
JSE listing fees	(343 888)	(295 800)
Management fees	(3 374 698)	(4 363 015)
Remuneration for Non-Executive Directors	(830 607)	(600 704)
Office rent*	(453 179)	(429 826)
Due diligence expenses	(3 657 641)	(3 765 385)
Reporting and audit fees	(1 268 741)	(657 987)
Professional services	(2 985 330)	(740 942)
Estimated credit loss on other receivables	(41 358)	–

**The Company is a lessee as it currently rents its head office premises. Upon adoption of IFRS 16, the Company concluded that the lease relating to its head office premises is a short-term lease. The Company elected to recognise the lease payments as an expense on a straight-line basis over the lease term.*

17. DIRECTORS' REMUNERATION

Remuneration paid to the Directors during the current period ended 29 February 2020 was as follows:

	For services as a Director R	Remuneration R	Total R
Quinton Zunga*	–	1 600 000	1 600 000
Vuyokazi Nomvalo*	–	960 000	960 000
Dion Mhlaba*	–	1 239 000	1 239 000
Colin Clarke*	–	1 239 000	1 239 000
John Oliphant	110 000	–	110 000
Solomon Motuba	170 420	–	170 420
Kgaogelo Ntshwana	170 187	–	170 187
David Sekete	140 000	–	140 000
Londeka Shezi	14 000	–	14 000
Peter Mehlape	30 000	–	30 000
Refiloe Nkadimeng	40 000	–	40 000
Dinao Lerutla	106 000	–	106 000
Bojane Segooa	50 000	–	50 000
	830 607	**5 038 000**	**5 868 607**

** The Executive Directors are remunerated by RH Bophelo Management Company Proprietary Limited, remuneration for Executive Directors is made up of salaries only.*

Fees for Non-Executive Directors exclude VAT.

Remuneration was paid to the Directors during the 28 February 2019 period as follow:

	For services as a Director R	Remuneration R	Total R
Quinton Zunga*	–	1 206 665	1 206 665
Vuyokazi Nomvalo*	–	675 000	675 000
Peter Mehlape*	10 000	433 333	443 333
Dion Mhlaba*	–	951 666	951 666
John Oliphant	90 000	–	90 000
Solomon Motuba	140 000	–	140 000
Kgaogelo Ntshwana	150 704	–	150 704
David Sekete	130 000	–	130 000
Londeka Shezi	80 000	–	80 000
	600 704	**3 266 664**	**3 867 368**

** The Executive Directors are remunerated by RH Bophelo Management Company Proprietary Limited, remuneration for Executive Directors is made up of salaries only.*

Fees for Non-Executive Directors exclude VAT.

Notes to the Annual Financial Statements continued

18. RELATED PARTIES

Related parties are entities with the ability to control the other party or exercise significant influence over such party in making financial and operating decisions, or anyone that is part of the key management personnel (including Directors) of the Company. Management considered the key agreements, transactions and relationships between the Company and other entities and has classified the entities listed below as a related party. The Company discloses all its relationships in investments that are owned directly and indirectly. Direct investments include investments that are owned by RH Bophelo and indirect investments include investments that are owned through other investments of RH Bophelo. Where applicable, any transaction with a related party is disclosed below.

Relationships	
Relationship with direct subsidiaries	
RH Bophelo Operating Company Proprietary Limited	100% shareholding unconsolidated subsidiary, cross directorship of Quinton Zunga, Vuyokazi Nomvalo, Kgaugelo Ntshwana, Solly Motuba, David Sekete, Dion Mhlaba, John Oliphant.
RH Financial Services Proprietary Limited	100% shareholding unconsolidated subsidiary, cross directorship of Dion Mhlaba and Colin Clarke.
RH Bophelo Property Proprietary Limited	100% shareholding unconsolidated subsidiary, cross directorship of Dion Mhlaba and Colin Clarke.
Relationship with indirect subsidiaries	
Africa Healthcare Proprietary Limited	100% shareholding unconsolidated subsidiary, cross directorship of Vuyokazi Nomvalo and Colin Clarke.
Vryburg Holding Company Proprietary Limited	81% shareholding unconsolidated subsidiary held through RHBO. Cross directorship of Colin Clarke.
Henley Solution Proprietary Limited	81% shareholding unconsolidated subsidiary held through Vryburg Holding Company, cross directorship of Colin Clarke.
Megafrack Proprietary Limited	100% shareholding, unconsolidated subsidiary held through RHBO, cross directorship of Dion Mhlaba and Colin Clarke.
Fauchard Tandheelkundige Sentrum Proprietary trading as Fauchard Day Clinic	100% shareholding, unconsolidated subsidiary held through RHBO, cross directorship of Colin Clarke.
RH Florida Proprietary Limited	100% shareholding, unconsolidated subsidiary held through RHBO, cross directorship of Colin Clarke.
RH Bell Clinic Proprietary Limited	100% shareholding, unconsolidated subsidiary held through RHBO, cross directorship of Colin Clarke.
Notamed Proprietary Limited	100% shareholding, unconsolidated subsidiary held through RHBO, cross directorship of Colin Clarke.
Vutomi Health Membership	100% shareholding, unconsolidated subsidiary held through RHFS, cross directorship of Dion Mhlaba and Colin Clarke.
RH Bophelo Pharma Proprietary Limited	100% shareholding, unconsolidated subsidiary
Fezinet Proprietary Limited trading as Vryburg Private Hospital	81% shareholding, unconsolidated subsidiary held through Vryburg Holding Company, cross directorship of Colin Clarke.

Relationship with indirect subsidiaries continued	
Fenetiq Proprietary Limited	81% shareholding, unconsolidated subsidiary held through Vryburg Holding Company, cross directorship of Colin Clarke.
BMC Gilliwie Proprietary Limited trading as Medicare Private Hospital	51% shareholding, unconsolidated subsidiary held through Megafrack, cross directorship of Colin Clarke.
Magnacorp 84 Proprietary Limited	50,1% shareholding, unconsolidated subsidiary held through Megafrack, cross directorship of Colin Clarke.
Wesmart Financial and Administration Solution Proprietary Limited	60% shareholding, unconsolidated subsidiary held through RHFS, cross directorship of Dion Mhlaba and Colin Clarke.
Relationship with indirect associates	
Rondebosch Medical Centre Proprietary Limited	30% shareholding, unconsolidated associate held through RHBO, cross directorship of Dion Mhlaba and Colin Clarke.
Phelang Bonolo Healthcare Procurement and Management Proprietary Limited ("PBHPM")	49% unconsolidated associate held through RHBO, manages and owns 8,3% in Botshilu Private Hospital Proprietary Limited, cross directorship of Vuyokazi Nomvalo.
Botshilu Private Hospital Proprietary Limited	8,3% owned by PBHPM, a hospital in Soshanguve.
Botshilu Properties Proprietary Limited	100% owned by Botshilu Private Hospital Proprietary Limited and owns the hospital property in Soshanguve.
RH 12J Limited	Investment into a 12J fund in Healthcare infrastructure. Cross directorship for the following Directors in RH Bophelo Limited: Colin Clarke, Dion Mhlaba, Vuyokazi Nomvalo.
Relationship with Directors, shareholders and others	
RH Bophelo Management Company Proprietary Limited	Cross directorship for the following Directors in RH Bophelo Limited: Quinton Zungu, Dion Mhlaba, Collin Clarke and John Oliphant. Provides investment management services and holds the B share.
RH Managers Proprietary Limited	Cross directorship with RH Bophelo Limited: Quinton Zunga, Dion Mhlaba, and David Sekete (Non-Executive). The Company and RH Managers share an office space.
Metamax Proprietary Limited	Dion Mhlaba is a director in both Megafrack and Metamax, both companies own majority shareholding in Magnacorp and Medicare hospital. Metamax owns 45% of Medicare hospital and 49% of Magnacorp Proprietary Limited.
RQ Capital Partners Proprietary Limited	Quinton Zunga (CEO) is the majority shareholder and holds 3% issued shares of the Company.
Third Way Investment Group Proprietary Limited	John Oliphant (chairman of RHB) is the majority shareholder and holds 2% issued shares of the Company.
RH Bophelo Energy Proprietary Limited	Cross directorship of Dion Mhlaba and Colin Clarke.
Public Investment Corporation SOC Limited	Shareholder with significant influence.
K2015398326 Proprietary Limited	Loan receivable by RHBO for R5.1 million.
Medicare Practitioners Investment Holdings Proprietary Limited	Loan receivable to Medicare Private Hospital of R2.4 million.

Notes to the Annual Financial Statements continued

18. RELATED PARTIES continued

Related party balances reflected on the statement of financial position at year end

Loan accounts -Owing by related parties

	2020 R	2019 R
Africa Healthcare Proprietary Limited	16 241 632	–
Notamed Proprietary Limited	24 011 909	–
RH Bophelo Operating Company Proprietary Limited	–	2 338 541
	40 253 541	**2 338 541**

Amounts included in other receivables due from related parties

	2020 R	2019 R
RH Bophelo Management Company Proprietary Limited	–	14 286
Megafrack Proprietary Limited	–	91 188
Notamed Proprietary Limited	–	60 000
Rondebosch Medical Centre	–	238 050
	–	**403 524**

Amounts included in other payables due to related parties

	2020 R	2019 R
RH Bophelo Operating Company Proprietary Limited	201 800	–
Rondebosch Medical Centre	23 230**	–
	225 030	**–**

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

Interest received from related parties

	2020 R	2019 R
Africa Healthcare Proprietary Limited*	1 488 188	–
Notamed Proprietary Limited	746 809	–
	2 234 997	**–**

Interest paid to related parties

	2020 R	2019 R
Medicare Private Hospital	203 859	–
	203 859	**–**

Other income received from related parties

	2020 R	2019 R
Rondebosch Medical Centre*	255 800	207 000
	255 800	**207 000**

** Rondebosch Medical Centre is a 30% associate of the Company where two of the Company's Executives serve on the Board, and the Company claims the monthly retainer, which is what constituted the Directors' fees income.*

Professional fees recovered from related parties

	2020 R	2019 R
Africa Healthcare Proprietary Limited*	15 081	8 640
Medicare Private Hospital	422 016**	–
Vryburg Holding Company	1 020 000**	–
	1 457 097	**8 640**

Administration fees paid to related parties

	2020 R	2019 R
RH Bophelo Management Company Proprietary Limited	3 374 698	4 363 015
RH Bophelo Operating Company Proprietary Limited	161 800	1 138 747
	3 536 498	**5 501 762**

The Company has entered into a management agreement with RH Bophelo Management Company Proprietary Limited for providing operational management services. Management fees are 0.7% per quarter of the total capital raised, provided the Company has not deployed more than 60% of its initial capital raised. In October 2019, the Company had invested more than 60% of the Company's initial capital, which resulted in a change in management fees calculations to 1% per quarter of the RH Bophelo's enterprise value. The Executive Directors are remunerated by RH Bophelo Management Company Proprietary Limited.

Rent paid to related parties

	2020 R	2019 R
RH Managers Proprietary Limited	453 179	429 826
	453 179	**429 826**

Restatement

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

- Professional fees recovered from Africa Healthcare Proprietary Limited of R8 640;
- Other income from Rondebosch Medical Centre of R207 000;
- Administration fees paid in respect of RH Bophelo Operating Company Proprietary Limited of R1 138 747; and
- Rent paid in respect of RH Managers Proprietary Limited of R429 826.

Change statement

* these amounts changed due to reclassification when compared to the reviewed results.

** these amounts were not included as part of the reviewed results.

Notes to the Annual Financial Statements continued

19. 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 annual financial statements, in line with the recommendations of the JSE Proactive monitoring process.

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

- There are 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 any commitment to assist its subsidiaries with 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 assistance
	Equity R	Loan R	
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 Limited	266 771 515	–	Expansion
Note	7	6	

The loans to Africa Healthcare and Notamed are interest-bearing loans with an interest rate of 15% per annum and are repayable after five 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 of Wesmart in support of its cell captive agreement with Genric Insurance on actuarial losses. At year end there were no expected underwriting losses, rather the portfolio made a profit of R540 767.

20. SIGNIFICANT EVENTS AFFECTING THE CURRENT YEAR REPORT

The Company made the following acquisitions:
Fauchard Day Clinic ("FDC"), Medicare Private Hospital ("MPH"), RH Bell Clinic, Africa Healthcare, PBHPM, Wesmart Financial and Administration Solution Proprietary Limited and RH 12J during the 2020 financial period.

Details of the Fauchard Day Clinic acquisition:

In September 2019, the Company completed the acquisition of the 100% of Fauchard Tandheelkundige Sentrum Proprietary Limited trading as Fauchard Day Clinic through its wholly-owned subsidiary RHBO. The acquisition is for a combined consideration of R25 million cash (R15 million for the property and R10 million for the Day Clinic).

Details of the Medicare Private Hospital acquisition:

On 31 July 2019, RHBO, through its wholly-owned subsidiary, Megafrack Proprietary Limited (Megafrack) completed the acquisition of 51% of the issued share capital in BMC Gilliwie Proprietary Limited trading as Medicare Private Hospital (MPH) and 50.1% of the issued share capital in Magnacorp 84 Proprietary Limited (property company) through the purchase of existing shares, for a combined consideration of R149.5 million. The purchase consideration consisted of cash of R127 million and R22.5 million through the Company's listed shares, using a 30-day volume weighted average price (VWAP) of R9 per share. Out of the R149.5 million, R121 million was funded through the Company and the balance of R28.5 million through a bank loan from Magnacorp 84 Proprietary Limited. The R121 million paid by the Company, consists of R98.5 million in cash and R22.5 million in shares.

Details of the Wesmart Financial and Administration Solutions acquisition:

On 30 April 2019, the Company subscribed to 60% of the Wesmart Financial and Administration Solutions Proprietary Limited (Wesmart) through its wholly-owned subsidiary RH Financial Services Proprietary Limited for a total cash consideration of R2 750 000, loan consideration of R900 000 and corporate guarantee of R3 million in favour of Genric Insurance Company Limited. Wesmart is a registered authorised Financial Services Provider (FSP: 45769).

Details of Bell Hospital acquisition:

On 1 October 2019, the Company, through RHBO and its subsidiaries, Notamed and RH Bell Clinic, completed the acquisition of the 100% of Netcare Bell's assets for R55.2 million from Netcare Hospitals, which consists of R1.6 million for the Bell Hospital and R53.6 million for the Bell Property. RHBO has also provided additional working capital of R5.9 million to RH Bell Clinic.

Details of the Africa Healthcare Proprietary Limited acquisition:

On 3 September 2019, RHBO concluded the acquisition of the remaining 40% of the issued share capital in Africa Healthcare Proprietary Limited from the remaining shareholders for a total consideration of R60 million, consisting of cash of R36 million and R24 million through the Company's listed shares using a 30-day VWAP of R10.99 per share.

Details of the Phelang Bonolo Healthcare Procurement and Management Proprietary Limited acquisition:

On 28 January 2020, RHBO acquired 49% of the Phelang Bonolo Healthcare Procurement and Management Proprietary Limited (PBHPM), a hospital management company for R12.5 million. PBHPM currently manages Botshilu Private Hospital Proprietary Limited (BPH), a 100-bed private hospital that is situated in Soshanguve, a township that is about 30 km north of Pretoria.

Details of the RH 12J investment:

The Company approved an investment of R2.5 million into RH 12J Fund, a fund that is solely focused on the construction and development of new and existing infrastructure. As at 29 February 2020, the Fund had not done any transactions.

Details of Vryburg investment

RHBO successfully acquired an additional 5% for R1.56 million in the current year from existing shareholders of Vryburg Holdings Proprietary Limited, and an increase in shareholder loan for R1.25 million

Notes to the Annual Financial Statements continued

21. EVENTS AFTER REPORTING PERIOD

Since the end of the financial reporting period on 29 February 2020, a series of events have materialised that the Board wishes to bring to the attention of all stakeholders. The events are classified into the following categories:

- Corporate events;
- Dual listing;
- The outbreak of the Coronavirus pandemic; and
- The approach of the South African government in managing the impact of the Coronavirus pandemic.

In relation to all these events, the Board has concluded that the each of the events materialised after the end of the financial reporting period and consequently do not reflect conditions that existed on 29 February 2020. The events are, therefore classified as non-adjusting events. They have been disclosed as the Board is of the view that the qualitative and/or qualitative impact of such events is material in relation to the annual financial statements.

21.1 Corporate events

The Company has concluded the following transactions in the period between 29 February 2020 and the publication of this set of annual results –

Genric Insurance Company Limited transaction:

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 paid through an issue of RH Bophelo shares at a VWAP).

Rondebosch Medical Centre acquisition:

On 28 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 30 September 2020.

COVID relief:

The Company approved a financial assistance package of R10 million to support its investee companies through the COVID period. The support will be allocated to investee companies that will require short-term financial support in order to manage their liquidity and working capital. As at signature date, only R5.5 million had been disbursed to Vryburg Private Hospital by RHBO.

21.2 Dual listing

The Company concluded its secondary listing on the Rwanda Stock Exchange ("RSE") by way of an introduction ("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 listing has no impact on the 29 February 2020 annual financial statements.

21.3 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. As a player in the healthcare sector value chain in South Africa, our business has found itself at the frontline of the intervention measures.

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 Group's investments operate in the healthcare sector and were classified as 'essential' services. 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 are 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 as '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 its 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 11th of March 2020. In addition, the government of the Republic of South Africa only declared a National State of Disaster on the 15 March 2020. The resultant impact on the financial statements of RH Bophelo 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. The estimate of financial effect cannot be determined.

Notes to the Annual Financial Statements continued

21. EVENTS AFTER REPORTING PERIOD (continued)

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

The approach of the South African government in relation to the Covid-19 outbreak has been made up of the following significant actions:

- Implementation of State of Disaster and National Lockdown and National Institute for Communicable Diseases ("NICD") guidelines
- Monetary policy interventions
- Fiscal policy interventions

In addition, sovereign ratings downgrade has occurred during the post reporting period.

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 further quantified the financial impact on the RH Bophelo business. The summary of the financial impact is as follows:

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	The effect on the going concern status of the Company and its operating subsidiaries is 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. The full lockdown and suspension of elective surgical procedures in the hospitals and closure of nonessential services have resulted in a loss and/(or) decrease of revenue for some of our investee companies.	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 275 basis points between March and July 2020 has had 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	The option to delay tax payments to SARS in relation to employees' tax and provisional corporate income tax is available to the Company. This has been exercised by the Group companies. In relation to the Skills Development Levy contribution holiday, the Company expects a financial benefit to accrue for the four-month period in which the contribution holiday applies.	This benefit has resulted in a cashflow boost of our working capital, by exercising the delay in tax payments for up to four months.
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.	The effect of the changes in macroeconomic indicators is reflected in the changes in risk-free rates and the cost of debt. The impact has seen 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.

22. CONTINGENT LIABILITIES

There were no contingent liabilities at year end.

23. 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. To this end, the going concern assumption has been determined to be the appropriate basis for financial reporting as at 29 February 2020.

24. EARNINGS, DILUTED AND HEADLINES EARNINGS PER SHARE

Basic earnings per share

The calculation of basic 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 earnings per share is 131 cents (2019: 42 cents).

Diluted earnings per share

The Company has no dilutive instruments, and as a result, the calculation of diluted earnings per ordinary share is based on diluted 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 diluted earnings per share are 131 cents (2019: 42 cents).

Headline earnings per share

The calculation of headline earnings per ordinary share is based on headline 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 headline earnings per share are 131 cents (2019: 42 cents).

Diluted headline earnings per share

The Company has no dilutive instruments and as a result, the calculation of diluted headline earnings per ordinary share is based on diluted headline earnings of R69 988 958 (2019: R 21 160 889) and a weighted average number of shares in issue of 53 592 090 (2019: 50 938 356). The diluted headline earnings per share are 131 cents (2019: 42 cents).

25. SEGMENTAL INFORMATION

The Company's 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) relating primarily to the activities conducted through RHFS, and as a result, the Company is presenting the segment report for the first time.

Notes to the Annual Financial Statements continued

25. SEGMENTAL INFORMATION continued

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

2020 segment information	Healthcare segment R	Financial services segment R	Total
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)
Total segment net income	**84 716 322**	**(76 743)**	**84 639 579**
Segment assets			
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
Total segment assets	**544 027 879**	**3 746 257**	**547 774 136**

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.

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

	2020 R	2019 R
Segment investment income	86 584 323	16 596 791
Non-segment investment income		
Interest income	19 087 893	24 490 345
Losses from financial instruments at fair value through profit or loss	(285 555)	–
Total investment income	**105 386 661**	**41 087 136**
Segment other income	1 712 897	230 475
Non-segment other income	271 213	–
Total income	**107 370 771**	**41 317 611**
Segment expense	(3 657 641)	(13 174 556)
Non-segment expenses	(13 254 401)	–
Expenses	(16 912 042)	(13 174 556)
Total income before tax	**90 458 729**	**28 143 055**
Reportable segment assets are reconciled to total assets as follows:		
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	–
Total assets	**671 178 276**	**535 548 942**
Total liabilities	**24 569 432**	**5 429 056**

26. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

Overview

The Company is exposed to the following risks from its use of financial instruments:

- Liquidity risk;
- Credit risk; and
- Market risk (interest rate risk and price risk).

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the risk committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee reports quarterly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's Audit and Risk Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

26.1. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company defines a default as an event where a counterparty's payments are more than 90 days past due. This is in line with the rebuttable presumption of IFRS 9.

Liquidity risk is monitored on a quarterly basis by the Company. The nature of the business is such that the majority of operating assets and liabilities are received and settled within one month.

The following table discloses the contractual maturity of financial assets and liabilities:

2020	Carrying amount	3 months or less	3 -12 months	1 to 5 years	Over 5 years
Contractual cash inflows					
Financial asset at fair value through profit or loss*	509 735 040	–	–	–	509 735 040
Loans to group companies	40 253 541	–	4 307 909	35 945 633	–
Other receivables	1 120 555	1 120 555	–	–	–
Cash and cash equivalents	120 069 140	120 069 140	–	–	–
Contractual cash outflows					
Current tax payable	(439 388)	(439 388)	–	–	–
Other payables	(1 582 078)	(1 582 078)	–	–	–
	669 156 810	**119 168 229**	**4 307 909**	**35 945 633**	**509 735 040**

** The Company's portfolio includes Financial assets measured at fair value through profit or loss that are expected to mature or reach the terminal period in year 5 to 7.*

Notes to the Annual Financial Statements continued

26. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT continued

26.1. Liquidity risk continued

2019	Carrying amount	3 months or less	3 -12 months	1 to 5 years	Over 5 years
Contractual cash inflows					
Financial asset at fair value through profit or loss*	157 896 791	–	–	–	157 896 791
Loans to group companies	2 338 541	–	2 338 541	–	–
Other receivables	1 432 736	1 432 736	–	–	–
Cash and cash equivalents	373 548 658	373 548 658	–	–	–
Current tax receivable	332 216	–	332 216	–	–
Contractual cash outflows					
Other payables	(1 711 375)	(1 711 375)	–	–	–
	533 837 567	**373 270 019**	**2 670 757**	**–**	**157 896 791**

26.2. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk on loans to group companies, other receivables, and cash and cash equivalents.

Credit risk for exposures, other than those arising on cash and cash equivalents, are managed by making use of credit approvals, and continuous monitoring of counterparty credit risk profile. In relation to loans advanced to group companies, the Company only offers financial assistance for expansion purposes after cashflow projections have been extensively reviewed and approved. For the purposes of calculating expected credit allowances, the Company is required to identify a basis for identifying a default. In line with the rebuttable presumption of IFRS 9, the Company regards any counterparty payment that is more than 90 days past due as a default. The exposure to credit risk and the ability to repay the loans by the Group companies are continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the Company through dealing with well-established financial institutions with high credit ratings.

In order to calculate credit loss allowances, management determines whether the loss allowances should be calculated on a 12-month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. A change in the credit rating of the counterparty or a series of missed payments is regarded as an indication of a change in credit risk. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12-month expected credit losses. This determination is made at the end of each financial period. Thus, the basis of the loss allowance for a specific financial asset could change year on year.

The carrying amount of financial assets represents the maximum exposure to credit risk:

	2020 R	2019 R
Loans to group companies	40 253 541	2 338 541
Other receivables	1 120 555	1 432 736
Current tax receivable	–	332 216
Cash and cash equivalents	120 069 140	373 548 658
	161 443 236	**377 652 151**
Cash and cash equivalents:		
First National Bank	120 069 140	373 548 658
The credit rating at year end for First National Bank is as follows:		
Standard and Poor	BB	BB+
Moody's	Ba1	Ba1

26.3. Market risk

Market risk is the risk that changes in the market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Market risk is made up of three components, which are currency risk, interest rate risk and other price risk. The Company is only exposed to interest rate risk as it keeps its cash balances in an interest-bearing account. During the current year interest income of R19.3 million (prior year: R24.5 million) was generated on an average cash balance of R246.8 million (prior year: R436.3 million), reflecting an average interest rate of 8% (prior year: 6%). Had interest rates been 50 basis points higher or lower, the impact on the reported interest income would have been as follows:

2020:

Cash and cash equivalents	Projected interest income (-50bps)	Actual interest income	Projected interest income (+50bps)
Interest income	18 057 708	19 291 752	20 525 797

2019:

Cash and cash equivalents	Projected interest income (-50bps)	Actual interest income	Projected interest income (+50bps)
Interest income	22 308 973	24 490 345	26 671 717

In the current year, the sensitivity analysis of unobservable inputs has been calculated using a weighted average cash balances, which differs from the prior year method used. This has resulted in the prior year final sensitivity disclosure on the actual interest income from the bank to be restated.

Fair value estimation

Refer to notes 6 and 7 disclosure on the market risks of financial asset at fair value through profit or loss, and loans to group companies.

Supplementary Information

1. MAJOR SHAREHOLDERS

Those shareholders who, insofar as is known to the Company, directly or indirectly, beneficially hold significant shareholding of 3% or more of the issued share capital of the Company are set out below:

2020:

Shareholder	Number of A Ordinary Shares held	% of A Ordinary Shares held*
Public Investment Corporation SOC Limited	40 643 832	73
Sentio Capital Management Proprietary Limited	3 013 100	5
Dr Mandisa Joyce Gwendoline	1 816 470	3
Stephanus Phillipus Vanhuyssteen	1 566 338	3
RQ Capital Partners Proprietary Limited	1 500 000	3
	48 539 740	**87**

2019:

Shareholder	Number of A Ordinary Shares held	% of A Ordinary Shares held*
Public Investment Corporation SOC Limited	40 812 182	80
Sentio Capital Management Proprietary Limited	4 997 036	10
RQ Capital Partners Proprietary Limited	1 500 000	3
	47 309 218	**93**

**Rounded to zero decimal places*

2. SHAREHOLDING SPREAD

Shareholder analysis per JSE Listing Requirements 3.43 of public and non-public shareholders:

2020:

Shareholder	Number of Shareholders	Number of 'A' Ordinary Shares held	% Holding
Public shareholders	156	9 480 075	16.95
Non-public shareholders	9	46 454 104	83.05
Total	**165**	**55 934 179**	**100.00**

2019:

Shareholder	Number of Shareholders	Number of 'A' Ordinary Shares held	% Holding
Public shareholders	142	4 825 896	9.42
Non-public shareholders	6	46 424 104	90.58
Total	**148**	**51 250 000**	**100.00**

3. DIRECTORS' INTERESTS OR SHAREHOLDINGS

	Beneficial			
Director	Direct	Indirect	Total	Percentage held
Quinton Zunga	1,500	1,500,000°	1,501,500	2.6
Dion Mhlaba	3,366	-	3,366	0.0
Colin Clarke	–	3,584[1]	3,584	0.0
John Oliphant*	12,200	1,020,300[2]	1,032,500	1.8
David Sekete	–	200,000[3]	200,000	0.3
R Nkadimeng	3,000	–	3,000	0.0
	20,066	**2,723,884**	**2,743,950**	**4.7**

° Held through a company controlled by Q Zunga, being RQ Capital Proprietary Limited.

[1] Held through an associate Mrs Angela Clarke

[2] Held through a company controlled by JR Oliphant, being Third Way Investment Group Proprietary Limited

[3] Held through a trust, being Dr Sekete Family Trust

** Dealings by Directors after financial year end: John Oliphant purchased 10 000 RH Bophelo shares at an average price of R9.84 per share on 3 August 2020. There were no other share trades by Directors between year end date and the date of the integrated annual report.*

The supplementary information presented does not form part of the audited annual financial statements and is unaudited

RH Bophelo celebrates three years of finding new paths to growth and profitability.

For three years, RH Bophelo has successfully positioned health as an investment. Through the support of private and institutional investors, we aim to produce superior returns, while contributing to socio-economic value creation and the development of Africa.

2020 marks the year of RHB's evolution as a Pan-African investment entity. Our eyes are set on expanding our investment footprint across African healthcare sectors. Over the past three years, we have achieved much under the auspices of our investors. This past year has seen us successfully launch our investment strategy in the financial services sector. We acquired Wesmart and Genric Insurance Company Limited.

This year, RHB reached a significant milestone in that we listed on the Rwanda Stock Exchange (RSE). This listing presents us with an opportunity for a wider spread of our shareholder base. Furthermore, it enables us to leverage off of the fact that Rwanda has an attractive investment climate and is the fastest growing economy in Africa.

Our vision is to unlock investment opportunities in the healthcare and financial services sectors for South and Eastern Africans, ranging from middle to low-income earners, and to invest in a manner that achieves clinical excellence.

We want to thank all our stakeholders and investors for joining RHB on its mission to grow healthcare sectors through strategic investments and partnerships with the government and healthcare professionals. We are looking forward to many more years of growth, profitability and transforming healthcare in Africa.