

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



SUMMARY ABRIDGED RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2022

INTRODUCTION

The Board of Directors ("the Board") of the Company is pleased to present the abridged results for the year ended 28 February 2022.

The Company seeks to generate returns for its shareholders through various investments in the healthcare and financial services sector. The Company is involved in making equity, quasi-equity, and equity-related investments in healthcare and financial services. The Company executes on its investment mandate primarily through two wholly-owned subsidiaries, RH Bophelo Operating Company Proprietary Limited ("RHBO") and RH Financial Services Proprietary Limited ("RHFS"). These subsidiaries are utilised to acquire various investments on behalf of the Company.

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

FINANCIAL OVERVIEW

The key financial indicators reflected in these financial results are:

- Net asset value increased by 5% year on year, from a balance of R864 million to R904 million;
- Total investment income decreased by 54% year on year, from R189 million to R88 million;
- Dividend income increased by 71% year on year, from R7 million to R24 million;
- Total income before tax decreased by 62% year on year, from R167 million to R64 million;
- Total income after tax decreased by 60% year on year, from R131 million to R53 million;
- Basic earnings and diluted earnings per share decreased by 62%, to 82,7 cents per share (2021: 217,5 cents per share);
- Headline and diluted headline earnings per share decreased by 62%, to 82,7 cents per share (2021: 217,5 cents per share);
- Net asset value per share increased by 5%, to 1 397,3 cents per share (2021: 1 335,6 cents per share);
- The Company declared a gross maiden dividend on "A" ordinary shares of ZAR 15 cents per "A" share during the 2022 financial period, record date 23 July 2021 and paid on 26 July 2021. The total dividend declared was R9 703 695 (2021: Nil); and
- Another maiden dividend of R3 900 000 was declared, and paid on 25 February 2022 on the "B" class share relating to a management incentive scheme;
- No dividends were declared subsequent to year end.

CHANGES IN INVESTMENTS

During the year, the Company increased its investments in unlisted equity investments. The amount allocated to increase investments for the current year was R20,7 million (2021: R161,4 million).

The amounts were allocated as follows:

- Investment in RH Bophelo Financial Services Proprietary Limited (RHFS) – R15,9 million;
- Investment in RH Bophelo Operating Company Proprietary Limited (RHBO) – R6,9 million; and
- Disposal of RH 12J Company Proprietary Limited (RH 12J) – (R2,1 million).

The investments were deployed to facilitate the following transactions:

Additional, new and disposal of investments by RHFS:

- Acquisition of an additional 5% in Genric Insurance for R9 million thereby increasing the shareholding from 25% to 30%.
- RSOV Invest Proprietary Limited ("RSOV"), an investment through RHFS was disposed of in the current year for R6,9 million, after it was incorporated and capitalised for R6,45 million. RSOV was incorporated to invest in publicly traded stock, and to house the shares repurchased by the Company in the open market pursuant to the General Repurchase of shares authority in terms of the JSE Listings Requirements, classified as treasury shares. RSOV was disposed with an equivalent of 1 193 800, about 1,84% of listed RH Bophelo treasury shares repurchased in terms of the aforesaid General Authority. The Company was sold to an unrelated party on 07 January 2021 settled in cash. The shares were repurchased at an average trading price of R5.40 per share in the open market.

New acquisition made by RHBO:

- The Company acquired a 10% equity interest in a healthcare technology company, LocumBase Proprietary Limited ("Locumbase"), for a purchase consideration of R4 million in cash on the 1 October 2021. Locumbase is a platform that hospitals and retail pharmacies can use to contract locums or temporary staff.

CHANGES IN DIRECTORATE

During the year the following changes to the Directorate had taken place:

- Refiloe Nkadimeng resigned as an Independent Non-Executive Director on the 8 March 2021.
- Lyndsay Maseko was appointed as an Independent Non-Executive Director on the 17 November 2021.

ABRIDGED ANNUAL FINANCIAL STATEMENTS

PREPARATION

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

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

The summary abridged annual financial results have been extracted from audited information, but the abridged statement has not itself been audited. An unmodified audit report was issued by our external auditor, Mazars on the annual financial statements from which this report is extracted. The Directors take full responsibility for the preparation of the abridged report and that the financial information has been correctly extracted from the underlying annual financial statements. Any reference to future financial performance included in this announcement has not been audited or reported on by the external auditor. Shareholders are therefore advised that in order to get a full understanding of the nature of the auditor's engagement, they should obtain a copy of the unmodified auditor's independent audit report, including the Key Audit Matters, together with the accompanying annual financial statements from the Company's website <https://www.rhbophelo.co.za/investment/investors> and from the Company's registered office.

ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2022

	Notes	Audited Feb-22 R	Audited Feb-21 R
Assets			
Non-current assets			
Financial assets at fair value through profit or loss	3.1	921 999 472	842 778 946
Loans to group companies	3.2	37 723 921	38 453 570
Property, plant and equipment		3 159 617	4 041 260
		<u>962 883 010</u>	<u>885 273 776</u>
Current assets			
Loans to group companies	3.2	5 256 398	5 365 502
Other receivables		444 890	322 507
Current tax receivable		19 562	19 562
Cash and cash equivalents		7 763 716	34 699 084
		<u>13 484 566</u>	<u>40 406 655</u>
Total assets		<u>976 367 576</u>	<u>925 680 431</u>
Equity and Liabilities			
Equity			
Share capital		633 589 672	633 589 672
Retained income		270 366 872	230 486 386
Total Equity		<u>903 956 544</u>	<u>864 076 058</u>
Non-current liabilities			
Lease liabilities		2 270 653	3 017 866
Deferred tax		68 796 855	57 848 552
		<u>71 067 508</u>	<u>60 866 418</u>
Current liabilities			
Other payables		629 990	116 063
Lease liabilities		713 534	621 892
		<u>1 343 524</u>	<u>737 955</u>
Total liabilities		<u>72 411 032</u>	<u>61 604 373</u>
Total equity and liabilities		<u>976 367 576</u>	<u>925 680 431</u>

ABRIDGED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2022

	<i>Notes</i>	Audited Feb-22 R	Audited Feb-21 R
Investment income			
Interest income		5 826 678	7 020 714
Dividend income		24 071 536	7 336 107
Gains from financial assets at fair value through profit or loss	3.3	58 464 695	174 477 925
Total investment income		88 362 909	188 834 746
Other income		1 872 316	430 411
Expenses			
Professional fees		(3 578 103)	(9 207 269)
Management fees		(4 520 532)	(6 904 402)
Other operating expenses		(17 704 107)	(6 635 685)
Total expenses	3.4	(25 802 742)	(22 747 356)
Total income before tax		64 432 483	166 517 801
Income tax		(10 948 303)	(35 300 586)
Net profit after tax		53 484 180	131 217 215
Other comprehensive income		-	-
Total comprehensive income		53 484 180	131 217 215
Basic earnings and diluted earnings per share (cents)		82,7	217,5
Headline and diluted headline earnings per share (cents)		82,7	217,5

ABRIDGED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 FEBRUARY 2022

	Share capital	Retained income	Total
Balance as at 01 March 2020	547 339 672	99 269 172	646 608 844
Shares issued	86 250 000	-	86 250 000
Total comprehensive income for the year	-	131 217 214	131 217 214
Balance as at 01 March 2021	633 589 672	230 486 386	864 076 058
Total comprehensive income for the year	-	53 484 180	53 484 180
"A" Class ordinary dividend	-	(9 703 695)	(9 703 695)
"B" Class share dividend	-	(3 900 000)	(3 900 000)
Balance as at 28 February 2022	633 589 672	270 366 872	903 956 544

ABRIDGED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 28 FEBRUARY 2022

		Audited Feb-22 R	Audited Feb-21 R
Cash flows from operating activities			
Cash generated/(used in) from operations	3.5	3 761 752	(10 929 279)
Income taxes paid		-	(807 122)
Net cash generated/(used in) from operating activities		3 761 752	(11 736 401)
Cash flows from investing activities			
Increase in financial assets at fair value through profit or loss		(22 858 882)	(75 214 343)
Loans to group companies repaid		4 527 992	1 866 862
Disposal of financial assets at fair value through profit and loss		2 130 183	-
Net cash used in investing activities		(16 200 707)	(73 347 481)
Cash flows from financing activities			
Capital repayment on lease liabilities		(892 718)	(286 174)
"A" Class ordinary shares - dividends paid		(9 703 695)	-
"B" Class share - dividends paid		(3 900 000)	-
Net cash used in financing activities		(14 496 413)	(286 174)
Net decrease in cash and cash equivalents		(26 935 368)	(85 370 056)
Cash and cash equivalents at the beginning of the year		34 699 084	120 069 140
Cash and cash equivalents at the end of the year		7 763 716	34 699 084

NOTES TO THE SUMMARISED ABRIDGED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The financial results have been prepared on the historic cost basis except for investments and loans to group companies which are measured at fair value. The results are presented in Rand, which is the Company's functional and presentation currency and are consistent with prior year unless otherwise stated.

The accounting policies applied are in terms of IFRS and are consistent with those of the underlying financial statements.

2. 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.

2.1 Investment entities

The Company, its subsidiaries and indirectly held associates – 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, RH Bophelo Limited as an investment entity measures its investments in subsidiaries and its indirectly held associates at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments*.

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

- The Company and its subsidiaries obtained funds from more than one investor with the purpose of providing those investors with investment management services;
- The Company and its subsidiaries 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 and its subsidiaries measure and evaluate the performance of all its investments and indirectly held associated on a fair value basis.

Furthermore, the Company, its subsidiaries and indirectly held associates have more than one investment. The Company also has more than one investor and its investors are not related parties and in addition its interest is mainly in equity form in all its investments. The Company's approved investment policy documents the Company's exit strategy and 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 the 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 subsidiaries measure and evaluate the performance of all investments on a fair value basis.

3. NOTES TO THE FINANCIAL STATEMENTS

3.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Feb-22	Feb-21
	R	R
Opening balance	842 778 946	509 735 040
Additions – acquired in shares	-	86 250 001
Additions – acquired in cash	22 858 882	75 214 343
Disposals*	(2 130 183)	-
Fair value gains	58 491 827	171 579 562
Closing balance	921 999 472	842 778 946

Additions include investments in unlisted equities for the current year in RHBO and RHFS. The investments are measured at fair value through profit or loss. The investments under RHBO and RH 12J have been designated into healthcare investments portfolio and RHFS have been designated into financial services investments portfolio.

*RH 12J was disposed of during the year under review.

Investments in unlisted equity instruments – reconciliation

2022

	Opening balance	Additions	Fair value changes	Closing balance
RHFS	65 098 258	15 900 000	5 333 110	86 331 368
RHBO**	775 466 243	6 958 882	53 242 979	835 668 104
RH 12J	2 214 445	(2 130 183)	(84 262)	-
	842 778 946	20 728 699	58 491 827	921 999 472

2021

	Opening balance	Additions	Fair value changes	Closing balance
RHFS	3 746 257	52 500 001	8 852 000	65 098 258
RHBO**	503 774 338	108 964 343	162 727 562	775 466 243
RH 12J	2 214 445	-	-	2 214 445
	509 735 040	161 464 344	171 579 562	842 778 946

**RHBO includes a day 1 gain of R5,7 million recognised on loans provided to this entity. 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.

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

Input	Range used (2022)	Range used (2021)
Capitalisation rate	10% to 13,5%	10% to 12%
TGR (Terminal Growth rate)	4,5% to 5%	3,3% to 4,4%
WACC (Weighted Average Cost of Capital)	18,40% to 21,50%	17,20% to 21,05%
EBITDA (Earnings before interest, tax, depreciation and amortisation)	12% to 14%	12% to 14%
Market interest rate	7% to 8%	7% to 8%

*A risk adjustment factor is incorporated in the calculation of WACC for each investment, which factors the planned growth projections and any market uncertainty, such as the impact of COVID-19.

**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.

Sensitivity analysis – investments in unlisted equities

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

R	Feb-22		Feb-21	
	Favourable changes (+)	Unfavourable changes (-)	Favourable changes (+)	Unfavourable changes (-)
Capitalisation rate (±25bps)	5 935 600	(5 682 382)	30 340 065	(30 188 743)
Terminal growth rate (±25bps)*	8 910 714	(9 142 534)	9 507 319	(5 156 411)
WACC (±25bps)	13 973 463	(14 010 709)	16 818 024	(12 102 919)
EBITDA (±250bps)	26 687 823	(27 231 222)	19 738 150	(15 612 578)
Total	55 507 600	(56 066 847)	76 403 558	(63 060 651)
Current fair value as at year end	921 999 474	921 999 474	842 778 945	842 778 945
Fair value after accounting for total effect of changes in inputs	977 507 074	865 932 627	919 182 503	779 718 294

**The sensitivity analysis relating to the terminal growth rate was applied on the combined terminal value for all investments of R486 315 555 (prior year: R401 272 788). The terminal value range used in 2022 was R22,7 million to R188 million and a range of between R18 million to R172 million used in 2021. The terminal value range is only presented for significant assets as presented below.)*

Summary of significant investments

2022

Entity	Description	Economic interest	Fair value at year end (R)	WACC (Post-Tax)	Proportion of total investments
Investments in subsidiaries*					
Africa Healthcare	Operates and owns hospitals and pharmaceutical distribution	100%	346 329 018	18,40%	38%
Rondebosch Medical Centre	Hospital services	100%	209 659 959	19,80%	23%
Medicare Hospital	services and investment property	51%	200 925 000	19,32%	22%
Vryburg Private Hospital	Hospital services and investment property	81%	32 721 975	20,89%	4%
Investments in indirectly held associates*					
Generic Insurance	Short-term Insurance	30%	79 399 999	21,50%	9%

**Each of the investments listed here represents at least 3% 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 4,5% to 5%.*

3.2 LOANS TO GROUP COMPANIES

	Feb-22	Feb-21
	R	R
Opening balance	43 819 072	40 253 541
Capital repayments	(6 000 000)	(4 705 424)
Interest accrued	5 272 643	5 372 592
Fair value adjustment	(111 396)	2 898 363
Closing balance*	42 980 319	43 819 072
Classification		
Current assets**	5 256 398	5 365 501
Non-current assets	37 723 921	35 453 570
	42 980 319	43 819 072

*Includes a day 1 deferred gain of R5.7m recognised on loans provided to this entity. 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.

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

**The current asset portion of R5 256 398 is made up of amounts due from Africa Healthcare Proprietary Limited of R1 139 912 and Notamed Proprietary Limited of R4 116 486.

Sensitivity analysis – loans to group companies

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

R	Feb-22		Feb-21	
	Favourable changes (-50bps)	Unfavourable changes (+50bps)	Favourable changes (-25bps)	Unfavourable changes (+25bps)
Significant unobservable input				
Market interest rate: SA prime rate (prior year: prime + 1%)	602 468	(592 527)	314 784	(317 469)
Current fair value as at year end	42 980 319	42 980 319	43 819 072	43 819 072
Fair value after accounting for total effect of changes in inputs	43 582 787	42 387 792	44 133 856	43 501 603

3.3 GAINS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Feb-22	Feb-21
	R	R
Fair value gains on financial assets at fair value through profit or loss	58 576 091*	171 579 562
Fair value (losses)/gains on loans to group companies	(111 396)	2 898 363
	58 464 695	174 477 925

* The net gain is shown after offsetting a loss on disposal of RH12J of R84 262 against total fair value of R58 491 827 as shown in note 3.1.

3.4 TOTAL EXPENSES

Other operating expenses included the following:

Marketing and advertising	(835 871)	(569 796)
Listing fees	(745 315)	(338 757)
Management fees	(4 520 532)	(6 904 402)
Remuneration for Non-Executive Directors	(1 842 460)	(1 178 467)
Office rent	-	(248 312)
Employment costs	(1 830 366)	(77 574)
Due diligence expenses	(447 334)	(371 572)
Financial reporting and audit fees	(1 586 532)	(6 461 477)
Professional services	(3 578 103)	(1 144 604)
Secretarial fees	(1 582 671)	(1 142 555)
Write-off of non-financial assets	-	(111 978)
Interest expense: lease liabilities	(237 147)	(109 126)
Enterprise and supplier development expenses*	(1 720 000)	(2 430 438)

*Enterprise and supplier development expenses consist of a donation of R1,7 million to RH Foundation NPC which is a related party. The relationship is mainly through the cross directorship of Vuyokazi Nomvalo in both RH Bophelo and RH Foundation NPC. RH Foundation NPC is used to advance the Company's corporate social responsibilities.

3.5 CASH GENERATED/(UTILISED) FROM OPERATIONS

Total income before taxation	64 432 483	166 517 800
Adjustments for:		
Depreciation	881 646	366 955
Gains from financial assets at fair value through profit or loss	(58 464 695)	(174 477 925)
Loss on disposal of financial assets	84 262	-
Lease liability interest	237 147	109 126
Interest accrued on loans to group companies	(3 800 635)	(2 893 724)
Write-down of non-financial assets	-	111 978
Changes in working capital:		
Other receivables	(122 384)	802 522
Other payables	513 927	(1 466 011)
	3 761 752	(10 929 279)

3.6 SEGMENT REPORTING

	Healthcare segment	Financial services segment	Total
	R	R	R
2022 reconciliation			
Gains from financial assets at fair value through profit or loss	53 131 584	5 333 111	58 464 695
Interest income	5 272 643	-	5 272 643
Dividend income	16 246 008	7 825 528	24 071 536
Segment investment income	74 650 235	13 158 639	87 808 874
Segment other income	1 440 493	431 823	1 872 316
Segment income	76 090 728	13 590 462	89 681 190
Segment expenses	(330 000)	-	(330 000)
Total segment net income	75 760 728	13 590 462	89 351 190
Segment assets			
Financial assets at fair value through profit or loss	835 668 103	86 331 369	921 999 472
Loans to group companies	42 980 319	-	42 980 319
Total segment assets	878 648 422	86 331 369	964 979 791

	Healthcare segment	Financial services segment	Total
	R	R	R
2021 reconciliation			
Gains from financial assets at fair value through profit or loss	172 170 904	2 307 021	174 477 925
Interest income	5 372 592	-	5 372 592
Dividend income	-	7 336 107	7 336 107
Segment investment income	177 543 496	9 643 128	187 186 624
Segment other income	371 240	20 700	391 940
Segment income	177 914 736	9 663 828	187 578 564
Segment expenses	(371 572)	-	(371 572)
Total segment net income	177 543 164	9 663 828	187 206 992
Segment assets			
Financial assets at fair value through profit or loss	775 466 243	65 098 257	840 564 500
Loans to group companies	43 819 072	-	43 819 072
Total segment assets	819 285 315	65 098 257	884 383 572

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

	Feb-22	Feb-21
	R	R
Segment investment income	87 808 874	187 186 624
<i>Non-segment investment income</i>		
Interest income	554 035	1 648 122
Total investment income	88 362 909	188 834 746
Segment other income	1 872 316	391 940
Non-segment other income	-	38 471
Total income	90 235 225	189 265 157
Segment expenses	(330 000)	(371 572)
<i>Non-segment expenses</i>	(25 472 742)	(22 375 785)
Expenses	(25 802 742)	(22 747 357)
Total income before tax	64 432 483	166 517 800

Reportable segment assets are reconciled to total assets as follows:

	Feb-22	Feb-21
	R	R
Segment assets for reportable segments	964 979 791	884 383 572
Other financial assets at fair value through profit or loss	-	2 214 445
Other non-current assets	3 159 617	4 041 260
Other current assets	8 228 168	35 041 154
Total assets	976 367 576	925 680 431
Total liabilities	72 411 032	61 604 373

3.7 BASIC AND HEADLINE EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic and diluted earnings per ordinary share is based on earnings of R53 484 180 (2021: R131 217 215) and a weighted average number of shares in issue of 64 691 298 (2021: 60 316 801). The basic and diluted earnings per share is 82,7 cents (2021: 217,5 cents).

Headline and diluted headline earnings per share

The calculation of headline and diluted headline earnings per ordinary share is based on headline earnings of R53 484 180 (2021: R131 217 215) and a weighted average number of shares in issue of 64 691 298 (2021: 60 316 801). The headline and diluted headline earnings per share is 82,7 cents (2021: 217,5 cents).

3.8 COMMITMENTS AND FINANCIAL SUPPORT

A summary of transactions for financial support are as follows –

2022

Name of subsidiary	Nature of financial support	Purpose for financial assistance
	Equity	
RH Financial Services Proprietary Limited	15 900 000	Expansion
RH Bophelo Operating Company Proprietary Limited	6 958 882	Expansion

3.9 GOING CONCERN

Ongoing impact of Covid-19 pandemic

As part of its responsibilities, the Board is required to undertake an ongoing assessment of the Company's status as a going concern. Over the past couple of years since the outbreak of the Coronavirus pandemic, the Board has paid particular attention to the management of the pandemic and the resultant impact on the healthcare sector.

In conducting its assessment, the Board has monitored the key ratios used in the going concern assessment – including solvency, profitability and liquidity indicators – and concluded that they remain within the range that the Board deems appropriate to support the going concern assumption. A key factor in this assessment was the fact that the Company's operating units are in the healthcare sector and were classified as essential services throughout the period of the pandemic as regulated by the National State of Disaster management. In addition, the Company has conducted various stress test scenarios based on the key aspects relating to the pandemic including vaccination rates and the likelihood of the emergence of new variants of the coronavirus. On the basis of this assessment, the Board has concluded that the going concern assumption remains the appropriate basis for financial reporting as at 28 February 2022.

Effects on valuations

As the Company and its subsidiaries in healthcare operate in a sector classified under essential services, the impact of the pandemic on operations remains moderate. Facilities remained open through all levels of lockdowns and utilisation rates remained steady. The increased rates of vaccinations and reduced severity and frequency of lockdowns in the past 12 months has assisted the business return to activity levels similar to pre-pandemic levels. Under these conditions, the Directors are comfortable that the Company will be able to continue as a going concern for the foreseeable future. The Company expects that its underlying businesses will remain classified as essential services and hence the impact on operations will be muted as seen during the hard lockdowns of last year. Beyond the 12-month horizon, the Company regards the low and muted economic growth, together with the possibility of new variants, as the key risk factors that might impact on the business. Such risk factors are continuously monitored by the Board and the investment committee and are factored into the long-term forecast and the Company's scenario planning.

Effects on funding and deal pipeline

The coronavirus impact has had a minimal impact on the Company's deal and funding pipeline. The investment committee is continuously exploring investment opportunities in the healthcare and related sectors and believes that it has sufficient access to capital to participate in any transactions that may materialise and meet the stringent criteria set by the investment committee and the Board of Directors. In order to support its deal pipeline, the Company has initiated a financing programme with Norsad Limited for the provision of loan financing in line with the Company's target capital structure.

Effects on operations

During the hard lockdowns, the Company had to adapt its operations in order to minimise the disruption. A 'work-from-home' policy was activated that enabled business continuity through all the various lockdown

levels. This required the Company to accelerate its investment in technological resources that enabled employees to optimally function from the safety of their homes or shared spaces that were regarded as compliant with healthcare protocols. It is expected that such practices will become more embedded in the Company's way of doing things until the pandemic and its effects taper off which we expect to see in the latter parts of the 2023 calendar year. There were no bank or borrowing covenants that have been breached by the Company.

Based on the factors mentioned above and the Company's current solvency and liquidity positions, which are reflected by the strong net asset value position of R903 956 544 (2021: R864 076 059) and the net current asset position of R12 141 042 (2021: R39 668 701), together with cash flow forecasts for the forthcoming year, the Directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future, and accordingly the annual financial statements have been prepared on a going concern basis.

3.10 EVENTS AFTER THE REPORTING PERIOD

Since the end of the financial reporting period on 28 February 2022, a significant event has materialised that the Directors wish to bring to the attention of all stakeholders.

In line with the Company's commitment towards a capital structure that includes equity and debt financing, the Company has secured long-term debt financing to the value of R100 million from Norsad Finance Limited. The funds will be deployed to facilitate further investments in investee companies in line with the Company's investment strategy.

3.11 DIVIDENDS PAID

The Company declared a gross maiden dividend on "A" ordinary shares of ZAR 15 cents per "A" share during the 2022 financial period, record date 23 July 2021 and paid on 26 July 2021. The total dividend declared was R9 703 695 (2021: Nil); and another maiden dividend of R3 900 000 was declared, and paid on 25 February 2022 on the "B" class share relating to a management incentive scheme.

On behalf of the Board



Quinton Zunga
CEO



Katekani Dion Mhlaba
CFO

Johannesburg
10 June 2022

Registered Office

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Directors

Q Zunga (Chief executive officer)
KD Mhlaba (Chief financial officer)
VP Nomvalo (Executive Director)
C Clarke (Executive Director)
Dr. SG Motuba (Lead independent Non-Executive Director)
Dr. KR Ntshwana (Independent Non-Executive Director)
JR Oliphant (Non-Executive chairman)
Dr. PD Sekete (Non-Executive Director)
R Nkadimeng (Independent Non-Executive Director)
– Resigned 8 March 2021
D Lerutla (Independent Non-Executive
Director) B Segooa (Independent Non-Executive
Director)
L Maseko (Independent Non-Executive Director)
– Appointed 17 November 2021

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