

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")



UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2022

INTRODUCTION

The Board of Directors ("the Board") of the Company is pleased to present the unaudited interim results for the six months ended 31 August 2022. Although the performance has seemingly declined for this period, we are delighted of our partnership with Norsad Finance Limited ("Norsad") which has rebalanced our capital structure to incorporate debt.

Furthermore, with the anticipated exits from Genric Insurance Proprietary Limited and Phelang Bonolo Healthcare Procurement and Management Company Proprietary Limited, the Company will have increased liquidity.

The Company's primary objective is to generate returns for its shareholders through specific and targeted investments in the healthcare and financial services sectors. The Company achieves this through 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, followed by a secondary listing on the Rwanda Stock Exchange ("RSE") on 1 June 2020. We are pleased that our net asset value per share of R14,06 remains higher than the initial listing price of R10,00.

FINANCIAL OVERVIEW

The key financial indicators reflected in these financial results are as follows:

- Net asset value per share decreased by 1,82% to R14,06 in the current period from R14,32 in the prior period.
- Net asset value decreased by 1,86% when compared to the prior period, from R926,5 million to R909,2 million.
- Investment income decreased by 83,2% when compared to the prior period, from R101,9 million to R17 million.
- Total income before tax decreased when compared to the prior period, from R91,3 million to R5,4 million in the current period.
- Total income after tax decreased from R72 million in the prior period to R5,3 million in the current period.
- Cash and cash equivalents increased by 180% from R15 million to R42 million when compared to the prior period.

INVESTMENTS

During the six-month period, the Company increased its investments in unlisted equities (classified as financial assets at fair value through profit or loss) by R7.7 million (Prior period: R18 million). The investments were deployed as follows –

- Investments in RHBO – R6 million
- Investments in RHFS – R1,7 million

DISPOSAL OF INVESTMENTS

In line with its strategy of generating returns for its shareholders, the Company decided to exit two investments in the current period through sale transactions. For both investments, the Company regarded the purchase offers as a fair return for the Company's shareholders and resolved to approve both transactions. Both transactions are subject to the fulfilment of certain conditions which are still pending. The Company has assessed the progress towards completion of the transactions and concluded that both transactions are likely

to be concluded within the next financial period. As a result, the investments have been classified as current assets. Further details regarding the transactions are contained in Note 4.1.

EFFECTS OF THE CORONAVIRUS (COVID-19) PANDEMIC

In line with the practices of the prior period, the Board continues to monitor the national strategy of managing the coronavirus pandemic and any possible impact to the Company's operations. During the period under review, the national State of Disaster was abolished on the 4th of April 2022 which marked the end of 750 days of various levels of national lockdowns. Whilst the country has not experienced significant spikes in infections since then which might lead to a restoration of the national state of disaster, the Company continues to monitor the government's actions for addressing possible future spikes in infections. This includes the various scenarios and health data alerts as published by the Department of Health and the World Health Organisation. These are all considered in the Company's going concern assumption upon which this report has been prepared.

PREPARATION

The interim financial results have been prepared internally under the supervision of the Chief Financial Officer, Dion Mhlaba CA(SA), and approved by the Board of Directors on 16 November 2022.

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

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2022

	Notes	Aug-22 Unaudited R	Aug-21 Unaudited R	Feb-22 Audited R
Assets				
Non-current assets				
Financial assets at fair value through profit or loss	4.1	842 649 898	947 214 730	921 999 472
Loans to group companies	4.2	38 015 625	37 819 185	37 723 921
Property, plant and equipment	4.15	2 732 808	3 600 438	3 159 617
		<u>883 398 331</u>	<u>988 634 353</u>	<u>962 883 010</u>
Current assets				
Financial assets at fair value through profit or loss – Held for sale	4.1	103 399 999	-	-
Loans to group companies	4.2	2 615 872	5 583 817	5 256 398
Other receivables	4.9	910 537	1 059 282	444 890
Current tax receivable		-	19 562	19 562
Cash and cash equivalents	4.8	42 206 217	15 357 453	7 763 716
		<u>149 132 625</u>	<u>22 020 114</u>	<u>13 484 566</u>
Total assets		<u>1 032 530 956</u>	<u>1 010 654 467</u>	<u>976 367 576</u>
Equity and Liabilities				
Equity				
Stated capital	4.11	633 589 672	633 589 672	633 589 672
Retained income		275 668 246	292 924 133	270 366 872
Total equity		<u>909 257 918</u>	<u>926 513 805</u>	<u>903 956 544</u>
Non-current liabilities				
Lease liabilities	4.14	1 881 479	2 735 624	2 270 653
Financial liability	4.17	50 000 000	-	-
Deferred tax	4.13	68 887 437	77 095 642	68 796 855
		<u>120 768 916</u>	<u>79 831 266</u>	<u>71 067 508</u>
Current liabilities				
Other payables	4.10	819 063	3 701 158	629 990
Lease liabilities	4.14	761 501	608 238	713 534
Financial Liability	4.17	923 558	-	-
		<u>2 504 122</u>	<u>4 309 396</u>	<u>1 343 524</u>
Total liabilities		<u>123 273 038</u>	<u>84 140 662</u>	<u>72 411 032</u>
Total equity and liabilities		<u>1 032 530 956</u>	<u>1 010 654 467</u>	<u>976 367 576</u>

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 AUGUST 2022

	<i>Notes</i>	Aug-22 Unaudited R	Aug-21 Unaudited R	Feb-22 Audited R
Investment income				
Gains from financial assets at fair value through profit or loss	4.3	9 977 458	88 437 713	58 464 695
Interest income	4.4	3 099 736	2 801 153	5 826 678
Dividend income	4.5	4 000 000	10 746 008	24 071 536
Total investment income		17 077 194	101 984 874	88 362 909
Other income	4.6	198 500	181 988	1 872 316
Interest expense	4.17	(923 558)	-	-
Professional fees		(3 042 863)	(4 414 911)	(3 578 103)
Management fees		(1 971 796)	(3 335 918)	(4 520 532)
Other operating expenses		(5 945 521)	(3 027 501)	(17 704 107)
Total expenses		(11 883 738)	(10 778 330)	(25 802 742)
Total income before tax		5 391 956	91 388 532	64 432 483
Income tax	4.12	(90 582)	(19 247 090)	(10 948 303)
Total income after tax		5 301 374	72 141 442	53 484 180
Other comprehensive income		-	-	-
Total comprehensive income		5 301 374	72 141 442	53 484 180
Earnings per share				
Per share information				
Basic earnings per share (cents)		8,2	111,5	82,7
Headline earnings per share (cents)		8,2	111,5	82,7
Ordinary dividend per share (cents)		-	15	15

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 AUGUST 2022

	Stated capital	Retained income	Total
Balance as at 01 March 2021	633 589 672	230 486 386	864 076 058
Total comprehensive income for the period	-	72 141 442	72 141 442
Ordinary dividend declared and paid	-	(9 703 695)	(9 703 695)
Balance as at 31 August 2021 (Unaudited)	633 589 672	292 924 133	926 513 805
Total comprehensive loss for the period	-	(18 657 261)	(18 657 261)
"B" Class share dividend	-	(3 900 000)	(3 900 000)
Balance as at 28 February 2022 (Audited)	633 589 672	270 366 872	903 956 544
Total comprehensive income for the period	-	5 301 374	5 301 374
Balance as at 31 August 2022 (Unaudited)	633 589 672	275 668 246	909 257 918

CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 AUGUST 2022

		Aug-22 Unaudited R	Aug-21 Unaudited R	Feb-22 Audited R
Cash (utilised in)/generated from operations	4.16	(5 586 189)	1 101 881	3 761 752
Income tax paid	4.12	-	-	-
Net cash (utilised in) /generated from operating activities		(5 586 189)	1 101 881	3 761 752
Cash flows from investing activities				
Increase in financial assets at fair value through profit and loss	4.1	(7 686 736)	(15 450 000)	(22 858 882)
Disposal of financial assets at fair value through profit or loss	4.1	-	2 130 183	2 130 183
Loans issued to group companies	4.2	(3 800 000)	-	-
Loans to group companies repaid	4.2	1 971 925	3 000 000	4 527 992
Purchase of Property, Plant and Equipment	4.15	(15 499)	-	-
Net cash utilised in investing activities		(9 530 310)	(10 319 817)	(16 200 707)
Cash flows from financing activities				
Finance lease payments	4.14	(441 000)	(420 000)	(892 718)
Ordinary dividend declared and paid "B" Class share – dividend paid	4.7	-	(9 703 695)	(9 703 695)
Increase in financial liabilities	4.17	50 000 000	-	-
Net cash generated from/ (utilised in) financing activities		49 559 000	(10 123 695)	(14 496 413)
Net increase/ (decrease) in cash and cash equivalents		34 442 501	(19 341 631)	(26 935 368)
Cash and cash equivalents at the beginning of the period		7 763 716	34 699 084	34 699 084
Cash and cash equivalents at the end of the period	4.8	42 206 217	15 357 453	7 763 716

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The interim financial results have been prepared on the historic cost basis except for financial instruments and investment entities that are held at their fair values. The results are presented in Rand which is the Company's functional and presentation currency. The current period for 31 August 2022 and the comparative period ending 31 August 2021 are unaudited, with the reference full period ending 28 February 2022 fully audited.

The Company, together with its subsidiaries RH Bophelo Operating Company (RHBO) and RH Bophelo Financial Services (RHFS) are classified as investment entities in accordance with IFRS 10 *Consolidated Financial Statements*. The classification was assessed at the reporting date and the directors have determined that the Company and its entities still meet the investment entity criteria and are exempt from consolidation in line with IFRS 10.31.

The accounting policies and methods of computation are consistent with those included in the annual financial statements at 28 February 2022.

2. NEW STANDARDS AND INTERPRETATIONS

There were no new or existing accounting standards that became effective during this reporting period.

3. SIGNIFICANT TRANSACTIONS – SALE OF INVESTMENTS

During the period under review, the Company entered into two significant transactions that are currently pending. As announced on 05 September 2022, the Company entered into a sale agreement with Old Mutual Insure Limited for the sale of its 30% shareholding in Genric Insurance (Genric) for a consideration of R90 million. The carrying value of the 30% shareholding at 31 August 2022 was R89 399 999 (February 2022: R79 999 999). At the publication of this report, the only outstanding approvals are from the Prudential Authority and the Competition Commission. Such conditions are regarded by the Company as conditions that are likely to be fulfilled and the transaction completed within the next 12 months. The Company has therefore reclassified the investment in Genric as a current asset.

On 15 July 2022, the Company entered into a binding agreement to sell its entire shareholding in Phelang Bonolo Management Company ('Phelang'), a 49% associate held through the RHBO portfolio for an amount of R14 million. The carrying value of the shareholding at 31 August 2022 was R14 000 000 (February 2022: R10 283 000). The transaction will be finalised end of November 2022. The Company has therefore reclassified the investment in Phelang as a current asset.

4. NOTES TO THE INTERIM FINANCIAL STATEMENTS

4.1. Financial assets at fair value through profit or loss – investments in unlisted equities

The Company invests in unlisted equity instruments, which are classified as financial assets at fair value through profit or loss. At every reporting date the Company performs a detailed valuation on all its' investments in order to determine the most accurate fair value. The valuation methodology is based on the DCF model unless the assets are held for sale, in which case, the transaction price offer in the purchase agreements, is regarded as the most accurate indication of fair value (IFRS 13 par 58).

In the current period all unlisted investments were measured at fair value using the DCF model with the exception of Genric Insurance Limited and Phelang Bonolo Healthcare Procurement and Management Proprietary Limited which were measured using the transaction prices in the sale agreements.

	Aug-22 Unaudited	Aug-21 Unaudited
Opening balance (audited - 28 February 2022/2021)	921 999 472	848 547 124
Additions – acquired in financial liabilities	-	2 633 988
Additions – acquired in cash	7 686 736	15 450 000
Disposals of investments	-	(2 130 183)
Fair value gains	16 363 689	88 481 979
	946 049 897	952 982 908
Day 1 gains deferred*	-	(5 768 178)
	946 049 897	947 214 730

Additions include investments in unlisted equities for the current period in RHFS. The investments are measured at fair value through profit or loss.

The investments under RHBO have been designated to the healthcare investments portfolio and investments under RHFS have been designated to the financial services investments portfolio.

*Loans provided to the investee companies are regarded as transactions between equity participants and the resultant Day 1 gains and losses have been presented as an adjustment to the carrying amount of the investments.

Investments in unlisted equity instruments – reconciliation

Aug-22 Unaudited				
Entity	Opening balance - Audited	Additions	Fair value changes	Closing balance
RHFS*	86 331 368	1 671 491	10 309 247	98 312 106
RHBO**	835 668 104	6 015 245	6 054 442	847 737 791
	921 999 472	7 686 736	16 363 689	946 049 897

* The investment in Genric Insurance Proprietary Limited which is carried at a fair value of R89,4 million (after deducting a liability of R600 000) is held for sale and is classified as current in the statement of financial position. The fair value was derived from the independent valuation commissioned by the prospective purchaser and agreed by all parties to the sale agreement.

**The investment in Phelang Bonolo Healthcare Procurement and Management Proprietary Limited ("PBHPM") which is carried at a fair value of R14 million is held for sale and is classified as current in the statement of financial position.

Aug-21 Unaudited

Entity	Opening balance	Additions/ (Disposals)	Fair value changes	Closing balance
RHFS	65 098 258	18 083 988	17 027 075	100 209 321
RHBO*	781 234 420	-	71 539 167	852 773 587
RH 12J	2 214 446	(2 130 183)	(84 263)	-
	848 547 124	15 953 805	88 481 979	952 982 908

The valuation techniques applied to the valuation of each investment incorporate level 3 inputs are as defined in IFRS 13 *Fair Value Measurement*. 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 financial statements. To aid stakeholders in understanding the significant unobservable inputs that influence the valuation process, the Company has identified the key inputs used in the valuations. A sensitivity analysis on these inputs has been prepared and disclosed in order to illustrate the potential impact of the changes to these inputs on the amounts recognised in the financial statements.

The ranges used for the key unobservable inputs are as follows:

Input	Range used Aug-22	Range used Aug-21
Capitalisation rate	10,5% to 13,5%	10,5% to 13,5%
TGR (Terminal Growth rate)	4,5% to 6%	3,3% to 4,1%
WACC (Weighted Average Cost of Capital)	17% to 20%	16,86% to 21,25%
EBITDA (Earnings before interest, tax, depreciation, and amortisation)	15% to 16,5%	11% to 12%
Market interest rate	8% to 9,5%	7% to 8%

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#	10,5% to 13,5%	Decrease by 25 basis points will result in an increase in the value of investments.	Increase by 25 basis points will result in a decrease in the value of investments.
Terminal Growth rate	4,5% to 6%	Increase by 25 basis points will result in an increase in the value of investments.	Decrease by 25 basis points will result in a decrease in the value of investments.
WACC (range)	17% to 20%	Decrease by 25 basis points will result in an increase in the value of investment.	Increase by 25 basis points will result in a decrease in the value of investments at year-end.
EBITDA Using the seven-year compounded annual growth rate on EBITDA	15% to 16,5%	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 rate 9%) (Applicable to group loans)	8% to 9,5%	Decrease by 50 basis points will result in an increase in the loan value at year-end.	Increase by 50 basis points will result in a decrease in the loan value at year-end.

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

Sensitivity analysis – investments in unlisted equities

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

R	Aug 2022 Unaudited		Aug 2021 Unaudited	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Significant unobservable input				
Capitalisation rate	5 935 600	(5 682 381)	8 702 431	(8 315 453)
Terminal growth rate*	9 792 378	(8 643 366)	5 320 069	(5 141 858)
WACC	13 861 850	(12 546 392)	15 007 809	(14 423 280)
EBITDA	23 025 864	(23 025 862)	818 873	(784 539)
Total	52 615 692	(49 898 001)	29 849 182	(28 665 130)
Current fair value as at period end	946 049 897	946 049 897	952 982 908	952 982 908
Fair value after accounting for total effect of changes in inputs	998 665 589	896 151 896	982 832 090	924 317 778

*The sensitivity analysis relating to the terminal growth rate was applied to the terminal value for all investments of R573 million (prior period: R947 million).

4.1.1 Summary of significant investments

August 2022

Entity	Description	Economic Interest	Fair value at end of period (R)	WACC	Proportion of total investments
Investments In Subsidiaries					
Africa Healthcare	Operates and owns hospitals, property, pharmaceuticals	100%	346 329 018	18,67%	36%
Rondebosch Medical Centre Proprietary Limited	Hospital services	100%	221 170 383	19,03%	23%
Medicare Private Hospital	Hospital services and investment property	51%	200 457 064	19,24%	21%
Investments in Associates					
Generic Insurance	Insurance	30%	89 399 999	*	10%

Each of the investments listed here represent at least 5% of the total value of the investments designated at fair value through profit or loss.

*Generic has been reported based on the transaction price in the sale agreement.

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 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.

Aug 2022

Significant unobservable input		WACC		EBITDA		TGR	
Subsidiaries and Associates	Total fair value at year end	Favourable -25 bps	Unfavourable +25 bps	Favourable +250 bps	Unfavourable -250 bps	Favourable +25 bps	Unfavourable -25 bps
Subsidiaries							
Africa Healthcare	346 329 018	5 634 804	(5 443 369)	8 801 814	(8 801 814)	3 729 168	(3 604 188)
Medicare Private Hospital	200 457 064	2 866 664	(1 955 632)	5 776 000	(5 776 000)	2 089 173	(1 207 314)
Rondebosch Medical Centre Proprietary Limited	221 170 383	4 510 794	(4 345 271)	6 312 527	(6 312 527)	3 089 867	(2 977 737)

Each of the investments listed here represent at least 5% of the total value of the investments designated at fair value through profit or loss.

4.1.2 Disclosures required by Section 15 of the JSE Listings Requirements.

August 2022 Unaudited portfolio reconciliation per segment:

RHBO Portfolio

	Opening balance (Audited Feb-22)	Investment/ (Disposal)	Fair value changes	Closing balance
Africa Healthcare	346 329 018	-	-	346 329 018
Rondebosch Medical Centre	209 659 959	(4 000 000)	15 510 424	221 170 383
Vryburg Investment Holding	32 721 975	1 500 000	(3 509 558)	30 712 417
Medicare Private Hospital	200 925 000	-	(467 936)	200 457 064
RH Bell Clinic	13 194 804	-	-	13 194 804
Fauchard Clinic	17 410 218	-	(2 411 187)	14 999 031
PBHPM	10 283 000	-	3 717 000	14 000 000
Locumbase	4 000 000	-	-	4 000 000
Dorama Investments*	-	1 500 000	(1 499 999)	1
	<u>834 523 975</u>	<u>(1 000 000)</u>	<u>11 338 744</u>	<u>844 862 717</u>
Net Debt	<u>1 144 129</u>	<u>7 015 245</u>	<u>(5 284 302)</u>	<u>2 875 074</u>
	<u>835 668 104</u>	<u>6 015 245</u>	<u>6 054 442</u>	<u>847 737 791</u>

* Dorama Investments is a newly incorporated company to house the unbundled investments in Africa Healthcare. The investments consist of AHC Nursing College, Platinum Private Hospital, AHC Emergency Medical Services and Gerijo Emergency Medical Services. These investments were previously held as subsidiaries of Africa Healthcare.

RHFS Portfolio

	Opening balance (Audited Feb-22)	Additional investment	Fair value changes	Closing balance
Generic Insurance	79 399 999	-	10 000 000	89 399 999
Wesmart Financial Services	7 030 349	1 660 000	310 515	9 000 864
	<u>86 430 348</u>	<u>1 660 000</u>	<u>10 310 515</u>	<u>98 400 863</u>
Net Debt	<u>(98 980)</u>	<u>11 491</u>	<u>(1 268)</u>	<u>(88 757)</u>
	<u>86 331 368</u>	<u>1 671 491</u>	<u>10 309 247</u>	<u>98 312 106</u>

August 2021 Unaudited portfolio reconciliation per segment:

RHBO Portfolio

	Opening balance (Audited Feb 21)	Fair value changes	Closing balance
Africa Healthcare	311 548 107	53 295 941	364 844 048
Rondebosch Medical Centre	197 341 805	26 038 476	223 380 281
Vryburg Investment Holding	31 198 897	(217 601)	30 981 296
Medicare Private Hospital	176 648 074	1 684 176	178 332 250
RH Bell Clinic	33 176 632	(7 584 773)	25 591 859
Fauchard Clinic	18 612 802	(600 021)	18 012 781
PBHPM	10 296 615	-	10 296 615
	<u>778 822 932</u>	<u>72 616 198</u>	<u>851 439 130</u>
Net Debt	<u>2 411 488</u>	<u>(1 077 031)</u>	<u>1 334 457</u>
	<u>781 234 420</u>	<u>71 539 167</u>	<u>852 773 587</u>

RHFS Portfolio

	Opening balance (Audited Feb 21)	Additional investment	Fair value changes	Closing balance
Generic Insurance	56 239 238	11 633 989	17 126 773	85 000 000
Wesmart Financial Services	8 859 019	-	-	8 859 019
RSOV	-	6 450 000	-	6 450 000
	<u>65 098 257</u>	<u>18 083 989</u>	<u>17 126 773</u>	<u>100 309 019</u>
Net Debt	<u>-</u>	<u>-</u>	<u>(99 698)</u>	<u>(99 698)</u>
	<u>65 098 257</u>	<u>18 083 989</u>	<u>17 027 075</u>	<u>100 209 321</u>

4.2. Loans to group companies

	Aug 2022	Aug 2021
	Unaudited	Unaudited
Opening balance (audited - 28 Feb 2022/2021)	42 980 319	43 819 072
Additions	3 800 000	-
Repayments – Capital	(1 971 925)	(3 000 000)
Repayments – Interest	(528 075)	-
Interest accrued	2 737 408	2 628 196
Fair value adjustment	(6 386 230)	(44 266)
	<u>40 631 497</u>	<u>43 403 002</u>
Classification		
Current	2 615 872	5 583 817
Non-Current	38 015 625	37 819 185
	<u>40 631 497</u>	<u>43 403 002</u>

The loans offered to group companies are extended at various rates that take into account the indicative risk profile and the capital requirements of each investee company. As such, the terms of the loans are not always reflective of the market interest rates. To account for the difference between the actual rates agreed for each loan agreement and the prevailing market interest rates, a fair value adjustment is determined at the end of the financial period, where the remaining cash flows are discounted at the prevailing market rate of prime (currently 9%) 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.

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 to understand the possible impact of a change in significant inputs that influences the valuation process for the loans to group companies, the Company has prepared a sensitivity analysis based on changes – both favourable and unfavourable – to the inputs.

Sensitivity analysis – loans to group companies

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

R	31-August 22		31 August 2021	
	Favourable changes (+)	Unfavourable changes (-)	Favourable changes (+)	Unfavourable changes (-)
Significant unobservable input				
Market interest rate (prime + 1%)	531 480	(523 529)	323 977	(326 570)
Current fair value as at period end	40 631 497	40 631 497	43 403 002	43 403 002
Fair value after accounting for total effect of changes in inputs	41 162 977	40 107 968	43 726 979	43 076 432

The sensitivity analysis is computed using a change of 50 basis points for the current period and 25 basis points for the prior comparative period. The change has been adopted to account for the material changes in interest rate adjustments by the South African Reserve Bank over the past 12 months.

4.3. Gains from financial assets at fair value through profit or loss

	Aug 2022 Unaudited R	Aug 2021 Unaudited R
Fair value changes on unlisted equities	16 363 688	88 481 979
Fair value changes on group loans	(6 386 230)	(44 266)
	<u>9 977 458</u>	<u>88 437 713</u>

Refer to 4.1 and 4.2 for details in fair value movements.

4.4. Interest Income

Interest income from the bank balances	362 328	172 957
Interest income from group loans	2 737 408	2 628 196
	<u>3 099 736</u>	<u>2 801 153</u>

*Interest income relates to loans granted to Africa Healthcare Proprietary Limited and Notamed Proprietary Limited.

4.5. Dividend income

RH Bophelo Operating Company	4 000 000	10 746 008
	<u>4 000 000</u>	<u>10 746 008</u>

4.6. Other Income

Professional fees recovered	-	22 988
Directors' fees income	198 500	159 000
	<u>198 500</u>	<u>181 988</u>

4.7. Dividends paid

Dividends paid for ordinary shares.	-	9 703 695
-------------------------------------	---	-----------

Reconciliation of movement in dividends payable

Balance at the beginning of the period	-	-
Dividends declared during the period	-	9 703 695
Dividends settled in cash	-	(9 703 695)
	<u>-</u>	<u>-</u>

Balance at the end of the period

The Company has 64 691 298 shares in issue and no dividend has been declared in the current period (2021: 15 cents per share).

4.8. Cash and cash equivalents

Current account	21 812	190 544
Call account and short-term deposits	42 184 405	15 166 909
	<u>42 206 217</u>	<u>15 357 453</u>

Cash and cash equivalents consist of the Company's cash balances held in a current account and an investment call account.

	Aug 2022	Aug 2021
	Unaudited	Unaudited
	R	R
4.9. Other Receivables		
Other receivables	351 609	204 850
VAT receivable	558 928	854 432
	<u>910 537</u>	<u>1 059 282</u>
4.10. Other Payables		
Accounts payable	819 063	1 007 780
Accrued expenses	-	2 693 378
	<u>819 063</u>	<u>3 701 158</u>
4.11. Stated capital		
Reconciliation of class A shares		
Opening balance	64 691 298	64 691 298
Issued during the period	-	-
Closing balance	<u>64 691 298</u>	<u>64 691 298</u>
Reconciliation of stated capital		
Opening balance	633 589 672	633 589 672
Issued during the period	-	-
Closing balance	<u>633 589 672</u>	<u>633 589 672</u>
4.12. Income tax expense		
Major components of income tax expense		
Deferred tax expense	<u>90 582</u>	<u>19 247 090</u>
Reconciliation between accounting profit and tax expense		
Profit before tax	<u>5 391 956</u>	<u>91 388 532</u>
Tax at the applicable tax rate of 28% (2021: 28%)	1 509 748	25 588 789
Tax effect of adjustments on taxable income:		
Non-deductible expenses	204 573	1 624 414
Exempt portion of capital gains	(558 738)	(4 957 230)
Exempt dividend income	(1 120 000)	(3 008 882)
Other adjustments	(54 999)	-
Effective income tax expense	<u>90 582</u>	<u>19 247 090</u>
4.13. Deferred tax		
The deferred tax liability comprises temporary differences on:		
Financial assets at fair value through profit or loss	(77 026 028)	(82 101 827)
Tax losses carried forward	8 033 389	4 942 680
Property, plant and equipment	24 202	(872 776)
Lease liability	81 000	936 281
	<u>(68 887 437)</u>	<u>(77 095 642)</u>

	Aug 2022 Unaudited R	Aug 2021 Unaudited R
Reconciliation of movement in deferred tax liability		
Balance at the beginning of the period (audited - 28 February 2022/2021)	(68 796 855)	(57 848 552)
Increase in fair value adjustments on financial assets at fair value through profit or loss	(2 234 950)	(20 470 806)
Increase in tax losses carried forward	2 112 525	1 160 211
Decrease/(increase) in temporary differences on property, plant and equipment	16 493	(872 776)
Increase in temporary differences on lease liability	11 333	936 281
Decrease in temporary differences on prepaid expenses	4 017	-
Balance at the end of the period	<u>(68 887 437)</u>	<u>(77 095 642)</u>

4.14. Lease liability

The lease liability relating to the lease contract for office buildings has been computed using the contractual lease payments using the incremental borrowing rate in the lease. The reconciliation of the lease liability for the period is as follows:

Balance at the beginning of the period (audited - 28 February 2022/2021)	2 984 187	3 639 758
Interest accrued	99 793	124 104
Repayments	(441 000)	(420 000)
Balance at the end of the period	<u>2 642 980</u>	<u>3 343 862</u>
Non-current liabilities	1 881 479	2 735 624
Current liabilities	761 501	608 238
	<u>2 642 980</u>	<u>3 343 862</u>

The present value of the minimum lease payments is expected to be settled as follows:

-within one year	761 501	608 238
-in second to fifth year inclusive	1 881 479	2 735 624
	<u>2 642 980</u>	<u>3 343 862</u>

Reconciliation of minimum lease payments to lease liability

Due within one year	922 425	805 000
Due in year two to year five	2 026 708	3 066 530
Undiscounted lease payments	2 949 133	3 871 530
Future interest expense	(306 153)	(527 668)
Present value of minimum lease payments	<u>2 642 980</u>	<u>3 343 862</u>

4.15. Property, plant and equipment

Reconciliation of Property, Plant and Equipment – August 2022

	Opening balance	Additions	Depreciation	Closing balance
Computer equipment	-	15 499	(1 486)	14 013
Furniture and fittings	483 380	-	(118 282)	365 098
Right-of-use asset - buildings*	3 117 058	-	(763 361)	2 353 697
	<u>3 600 438</u>	<u>15 499</u>	<u>(883 129)</u>	<u>2 732 808</u>

Reconciliation of property, plant and equipment - August 2021

	Opening balance	Additions	Depreciation	Closing balance
Furniture and fittings	542 521	-	(59 141)	483 380
Right-of-use asset - buildings	3 498 739	-	(381 680)	3 117 058
	<u>4 041 260</u>	<u>-</u>	<u>(440 821)</u>	<u>3 600 438</u>

*The right-of-use asset relates to the lease of office buildings for a period of 5 years at a monthly payment of R73 500 with an annual escalation rate of 5%, interest accrues at an incremental borrowing rate of 7%.

The Company leases its office buildings in terms of a five-year non-cancellable lease. The lease contract has been classified as a lease in terms of IFRS 16 *Leases*. On inception date, the Company recognised a right-of-use asset equal to the present value of the future lease payments and a corresponding value for the lease liability. As the Company uses a cost model in relation to its owned property, plant and equipment, the right-of-use asset has been depreciated over the lease term.

		Aug 2022 Unaudited R	Aug 2021 Unaudited R
4.16. Cash flows from operating activities			
Profit before tax		5 391 956	91 388 532
Non-cash items			
Interest unpaid on loans to group companies		(2 209 334)*	(2 628 196)
interest accrued on financial liability	4.18	923 558	-
Gains from financial assets at fair value through profit or loss	4.1	(9 977 458)	(88 437 710)
Other non-cash items		542 101	564 926
Changes in working capital			
Increase in other receivables	4.10	(446 085)	(736 775)
Decrease in other payables	4.11	189 073	951 104
Cash (utilised in)/ generated from operations		<u>(5 586 189)</u>	<u>1 101 881</u>

* Interest unpaid is as a result of the difference between interest accrued of R2 737 408 and interest paid of R528 075 as per note 4.2

4.17. Financial Liability

Balance at the beginning of the period	-	-
Additions	50 000 000	-
Interest accrued	923 558	-
Balance at the end of the period	<u>50 923 558</u>	<u>-</u>
Classification		
Current	923 558	-
Non-Current	50 000 000	-
	<u>50 923 558</u>	<u>-</u>

The Company secured a long-term debt facility to the value of R100 million from Norsad Finance Limited. At the end of the period R50 million was withdrawn. The funds will be deployed to facilitate further investments in investee companies in line with the Company's investment strategy.

Interest is paid on quarterly basis in arrears at a rate of 3-month JIBAR plus 7,5%. Capital will only be repaid in 24 equal instalments starting on 30 September 2023.

Aug 2022	Aug 2021
Unaudited	Unaudited
R	R

4.18. Related Parties

Related party balances and transactions

Loan accounts - Owing by related parties

Africa Healthcare	6 196 053	11 468 883
Notamed	34 435 444	31 934 119
	<u>40 631 497</u>	<u>43 403 002</u>

Amounts included in other payables/receivables due to related parties

RH Bophelo Financial Services	-	(144 704)
Rondebosch Medical Centre	(270 250)	-
Generic Insurance	(60 500)	2 633 989
	<u>(330 750)</u>	<u>2 489 285</u>

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

Interest from related parties

Africa Healthcare	528 075	783 147
Notamed Proprietary Limited	2 209 333	1 845 049
	<u>2 737 408</u>	<u>2 628 196</u>

Dividends and Other income from related parties

RH Bophelo Operating Company	4 000 000	10 746 008
Generic Insurance	60 500	-
Rondebosch Medical Centre	138 000	159 000
	<u>4 198 500</u>	<u>10 905 008</u>

Administration fees paid to related parties

RH Bophelo Management Company*	1 971 796	3 335 918
	<u>1 971 796</u>	<u>3 335 918</u>

Rent paid to related parties

RH Managers	441 000	420 000
	<u>441 000</u>	<u>420 000</u>

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

*RH Bophelo Management Company Proprietary Limited (RHBM) provides investment management services, including portfolio management. Management fees are calculated at 1% per quarter of the RH Bophelo's enterprise value, with an adjustment of average share price for the year.

4.19. Stated Capital

The Company's authorised stated capital is 10 000 000 000 "A" no par value ordinary shares with voting rights. (2021: 10 000 000 000 "A" no par value ordinary shares with voting rights). The Company also has 1 "B" restrictive class of shares with no voting rights. (2021: 1 "B" restrictive class of shares with no voting rights) held by RH Bophelo Management Company Proprietary Limited. The B share provides an incentive to the management company for investing and managing the portfolio into a viable business that attract income and capital appreciation above a hurdle rate of 10%.

The total number of "A" ordinary shares in issue as at 31 August 2022 is 64 691 298 (31 August 2021: 64 691 298).

The net asset value per share for the current period of R14,06 (Prior period: R14.32), was calculated using a total number of issued shares of 64 691 298 (Prior period: 64 691 298).

4.20. Basic and Headline Earnings Per Share

Basic earnings per share

The calculation of basic earnings per ordinary share is based on earnings of R5 301 374 (2021: R72 141 442) and a weighted average number of shares in issue of 64 691 298 (2021: 64 691 298). The basic earnings per share is 8,2 cents (2021: 111,5 cents).

There were no dilutive instruments and therefore, no diluted earnings per share.

Headline earnings per share

The calculation of headline earnings per ordinary share is based on headline earnings R5 301 374 (2021: R72 141 442) and a weighted average number of shares in issue of 64 691 298 (2021: 64 691 298). The headline earnings per share is 8,2 cents (2021: 111,5 cents).

There were not dilutive instruments and therefore, no diluted headline earnings per share.

4.21. Segment reporting

The Company's chief operating decision maker (CODM) – the executive committee – makes strategic resource allocations on behalf of the Company. The Company has 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 at fair value of underlying investments in associates and subsidiaries, plus any interest income.

The segment information provided to the CODM for the interim period 31 August 2022 is as follows:

Segment information	Healthcare Segment	Financial Services Segment	Total
2022			
Gains/(losses) from financial assets at fair value through profit or loss	(331 789)	10 309 247	9 977 458
Dividend income	4 000 000	-	4 000 000
Interest income	2 737 408	-	2 737 408
Segment investment income	6 405 620	10 309 247	16 714 867
Segment other income	138 000	60 500	198 500
Segment total income	6 543 620	10 369 747	16 913 367
Total segment net income	6 543 620	10 369 747	16 913 367
Segment assets			
Financial assets at fair value through profit or loss	847 737 791	98 312 106	946 049 897
Loans to group companies	40 631 497	-	40 631 497
Total segment assets	888 369 288	98 312 107	986 681 394

Segment information	Healthcare Segment	Financial Services Segment	Total
2021			
Gains from financial assets at fair value through profit or loss	71 410 638	17 027 075	88 437 713
Dividend income	10 746 008	-	10 746 008
Interest income	2 628 196	-	2 628 196
Segment investment income	84 784 842	17 027 075	101 811 917
Segment other income	181 988	-	181 988
Segment total income	84 966 830	17 027 075	101 993 905
Segment expenses	(145 000)	(452 584)	(597 584)
Total segment net income	84 821 830	16 574 491	101 396 321
Segment assets			
Financial assets at fair value through profit or loss	847 005 409	100 209 321	947 214 730
Loans to group companies	43 403 002	-	43 403 002
Total segment assets	890 408 411	100 209 321	990 617 732

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

	Aug 2022 Unaudited	Aug 2021 Unaudited
Segment investment income	16 714 867	101 811 917
Segment other income	-	181 988
Non-segment investment income	-	172 957
Interest income	362 328	-
Total investment income	17 077 195	102 166 862
Segment other income	198 500	-
Segment expenses	-	(597 584)
Total Expenses	(11 883 738)	(10 180 746)
Total Expenses	(11 883 738)	(10 778 330)
Total income before tax	5 391 956	91 388 532

Reportable segment assets are reconciled to total assets as follows:

Segment assets for reportable segments	986 681 394	990 617 732
Other non-current assets	2 732 808	3 600 438
Other current assets	43 116 754	16 436 297
Total assets	1 032 530 956	1 010 654 467
Segment Liabilities for reportable segments	-	2 633 989
Liabilities	123 273 038	81 506 673
Total liabilities	123 273 038	84 140 662

4.22. 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. These include an assessment of the various scenarios relating to the country's outlook since the COVID-19 pandemic. During the period under review, the national State of Disaster was abolished on the 4th of April 2022 which marked the end of 750 days of various levels of national lockdowns. Whilst the country has not experienced significant spikes in infections since then which might lead to a restoration of the national state of disaster, the Company continues to monitor the government's actions for addressing possible future spikes in infections. This includes the various scenarios and health data alerts as published by the Department of Health and the World Health Organisation. Having assessed the variables and scenarios relating to COVID-19 in addition to internal projections and cash flow forecasts, the directors have concluded that the going concern assumption remains the appropriate basis for preparing the financial statements of the Company. The Company has complied with all debt covenants required to date.

4.23. Events After the Reporting Period

With the exception of the planned investment disposals relating to Genric and Phelang, the directors are not aware of any events since the end of the financial reporting period on 31 August 2022, that would materially impact the amounts or disclosures in these interim financial results.

4.24. Director changes

As announced on SENS on 27 June 2022, D Lerutla and Dr S Motuba resigned as independent non-executive directors and members of the Audit and Risk Committee on 12 August 2022.

L Maseko was appointed as the chairperson of the Audit and Risk Committee on 12 August 2022.

S Moraba was appointed as a lead independent non-executive director and member of the Audit and Risk Committee on 27 Jun 2022.

4.25. Dividends

There were no dividends declared in the interim period.

On behalf of the Board

Quinton Zunga
CEO

Dion Mhlaba
CFO

Johannesburg
25 November 2022

Registered Office

Unit 12, 1 Melrose Boulevard
Melrose Arch, Melrose North
Johannesburg, 2076
South Africa
Tel: 010 007 2171
Email: invest@rhbophelo.co.za

Directors

Q Zunga (Chief Executive Officer)
KD Mhlaba (Chief Financial Officer)
VP Nomvalo (Executive Director)
C Clarke (Executive Director)
S Moraba (Lead Independent Non-Executive Director)
Dr KR Ntshwana (Independent Non-executive Director)
JR Oliphant (Non-Executive Chairman)
Dr PD Sekete (Non-Executive Director)
B Segooa (Independent Non-Executive Director)
L Maseko (Independent Non-Executive Director)

Company Secretary

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

Auditors

Mazars
54 Glenhove Road
Melrose Estate
Johannesburg
Gauteng
2196
South Africa

Transfer Secretaries

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

Sponsor South Africa

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

Sponsor Rwanda

Faida Securities Rwanda Limited
(Registration number 101856301)
Centenary House,
4th-Floor
124
Kigali
Rwanda