



ADVANCED HEALTH LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2013/059246/06)
("the Group" or "Advanced")
ISIN Code: ZAE000189049 JSE Code: AVL

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

HIGHLIGHTS

- Advanced sold 25.1% of its shareholding in Presmed, for a total transaction consideration of AUD5.8 million (R58.3 million) reducing Advanced's share in Presmed from 86.5% to 61.4%. The sale is still subject to shareholders approval.

Including IFRS 16 in 2019

- Revenue increased by 9% to R265.5 million (2018: R244.1 million).
- EBITDA improved by greater than 100% to R38.2 million (2018: R4.6 million).
- Loss for the period increased by 49% to R23.1 million (2018: R15.5 million).
- Basic and headline loss per share from both continuing and discontinued operations increased by 20% to 7.47 cents (2018: 6.21 cents).
- Cash generated from operations increased by greater than 100% to R43.9 million (2018: R16.8 million).
- Cash flows from financing activities decreased by greater than 100% to a negative R8.7 million (2018: R20.7 million).

Like-on-like excluding IFRS 16 in both years

- Revenue increased by 9% to R265.5 million (2018: R244.1 million).
- EBITDA improved by greater than 100% to R14.9 million (2018: R4.6 million).
- Loss for the period decreased by 40% to R9.3 million (2018: R15.5 million).
- Basic and headline loss per share from both continuing and discontinued operations (pre-adjusted IFRS 16) decreased by 40% to 3.75 cents (2018: 6.21 cents).
- Cash generated from operations increased by 23% to R20.6 million (2018: R16.8 million).
- Cash flows from financing activities decreased by 29% to R14.6 million (2018: R20.7 million).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Note	Pre - adjusted Six months 31 Dec 2019	IFRS 16 adjustment	Unaudited Six months 31 Dec 2019	Audited Year ended 30 June 2019
ASSETS					
Non-current assets		427 051	495 670	922 721	424 655
Property, plant and equipment	4	254 864	-	254 864	259 599
Right of use of asset	2	-	497 502	497 502	-
Goodwill		29 544	-	29 544	29 669
Intangible assets		29 414	-	29 414	30 777
Operating lease asset	5	476	(476)	-	476
Other financial assets		28 958	-	28 958	28 285
Deferred taxation	6	83 795	(1 356)	82 439	75 849
Current assets		96 912	(3 682)	93 230	106 544
Inventories		15 424	-	15 424	14 442
Trade and other receivables	7	24 971	-	24 971	37 763
Operating lease asset	5	3 682	(3 682)	-	3 682
Other financial assets		5 596	-	5 596	5 268
Current tax receivable		945	-	945	144
Cash and cash equivalents	8	46 294	-	46 294	45 245
Total assets		523 963	491 988	1 015 951	531 199
EQUITY AND LIABILITIES					
Capital and reserves		137 254	3 556	140 810	145 818
Stated capital		221 956	-	221 956	221 956
Accumulated loss		(117 315)	3 489	(113 826)	(109 529)
Foreign currency translation reserve		31 330	67	31 397	32 108
Share-based payment reserve		1 283	-	1 283	1 283
Non-controlling interest		56 533	-	56 533	64 142
Total equity		193 787	3 556	197 343	209 960
Non-current liabilities		238 706	480 597	719 303	216 531
Other financial liabilities	9	201 326	-	201 326	177 465
Lease liability	2	10 703	506 128	516 831	12 428
Operating lease liability		25 531	(25 531)	-	25 531
Provisions		1 146	-	1 146	1 107
Current liabilities		91 470	7 835	99 305	104 708
Other financial liabilities	9	23 665	-	23 665	22 706
Lease liability	2	5 394	10 368	15 762	8 422
Trade and other payables	11	42 328	-	42 328	48 941
Provisions		7 908	-	7 908	7 661
Current tax payable		3 317	-	3 317	3 167
Operating lease liabilities		2 533	(2 533)	-	2 533
Bank overdraft	8	6 325	-	6 325	11 278
Total equity and liabilities		330 176	488 432	1 015 951	531 199

	Pre - adjusted Six months 31 Dec 2019	IFRS 16 adjustment	Unaudited Six months 31 Dec 2019	Audited Year ended 30 June 2019
Notes to statement of financial position				
Total number of shares in issue ('000)	287 988	-	287 988	287 988
Net asset value per share (cents)	67.29	1.23	68.52	72.91
Net tangible asset value per share (cents)	46.82	1.23	48.05	51.92

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Note	Pre - adjusted Six months 31 Dec 2019	IFRS 16 adjustment	Unaudited Six months 31 Dec 2019	Unaudited Six months 31 Dec 2018
Revenue	13	265 466	-	265 466	244 079
Cost of sales	13	(121 004)	-	(121 004)	(114 055)
Gross profit		144 462	-	144 462	130 024
EBITDA*	2/14	14 885	23 300	38 185	4 584
Investment income		411	-	411	219
Depreciation and amortisation	2	(16 824)	(18 154)	(34 978)	(17 131)
Finance costs	2/9	(11 612)	(24 209)	(35 821)	(9 048)
Loss before taxation		(13 140)	(19 063)	(32 203)	(21 376)
Taxation		3 795	5 338	9 133	5 899
Loss for the period	2/15	(9 345)	(13 725)	(23 070)	(15 477)
Other comprehensive expense for the period, net of tax		(969)	(67)	(1 036)	(134)
Total comprehensive loss for the period		(10 314)	(13 792)	(24 106)	(15 611)
Loss attributable to:		(9 345)	(13 725)	(23 070)	(15 477)
Owners of the parent		(10 808)	(10 703)	(21 511)	(17 888)
Non-controlling interest		1 463	(3 022)	(1 559)	2 411
Total comprehensive loss attributable to:		(10 314)	(13 792)	(24 106)	(15 611)
Owners of the parent		(11 452)	(10 770)	(22 222)	(17 970)
Non-controlling interest		1 358	(3 022)	(1 884)	2 359
Per share information:					
Loss and diluted loss per share (cents)		(3.75)	(3.72)	(7.47)	(6.21)

** Earnings before interest, impairment tax, depreciation and amortisation.*

Notes to the statement of comprehensive income

All figures in R'000	Pre - adjusted Six months 31 Dec 2019	IFRS 16 adjustment	Unaudited Six months 31 Dec 2019	Unaudited Six months 31 Dec 2018
Headline loss for the period attributable to ordinary shareholders:				
Headline loss per share (cents)	(3.75)	(3.72)	(7.47)	(6.21)
Diluted headline loss per share (cents)	(3.75)	(3.72)	(7.47)	(6.21)
- Total number of shares in issue ('000)	287 988	287 988	287 988	287 988
- Weighted average number of shares ('000)	287 988	287 988	287 988	287 988

Reconciliation of headline earnings calculation:

No reconciling items. Headline loss equals the loss attributable to ordinary shareholders.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Unaudited Six months 31 Dec 2019	Unaudited Six months 31 Dec 2018
Cash flows from operating activities			
Cash generated from operations	8	43 897	16 796
Investment income		411	219
Finance cost	9	(11 612)	(8 720)
Taxation paid		(4 842)	(4 200)
Net cash inflow from operating activities		27 854	4 095
Cash flows from investing activities			
Acquisition of property, plant and equipment	4	(11 094)	(13 441)
Acquisition of intangible assets		(471)	(159)
Financial assets advanced		(1 190)	(2 634)
Net cash outflow from investing activities		(12 755)	(16 234)
Cash flows from financing activities			
Issue of shares in subsidiary		137	695
Financial liabilities raised	9	30 865	30 958
Financial liabilities repaid	9	(5 978)	(2 298)
Dividends paid – non-controlling interest		(5 862)	(3 552)
Finance costs	2	(24 209)	(328)
Lease payments	10	(3 644)	(4 764)
Net cash (outflow) / inflow from financing activities		(8 691)	20 711
Net increase in cash and cash equivalents		6 408	8 572
Cash and cash equivalents at beginning of period		33 967	41 319
Effect of foreign currency translation		(406)	(124)
Cash and cash equivalents at end of period	8	39 969	49 767

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Net stated capital	Share based payment reserve	Foreign currency translation reserve	Accumulated loss	Non- controlling interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000
Audited Balance at 1 July 2018	221 956	1 880	34 363	(64 368)	53 459	247 290
Loss for the period	-	-	-	(17 888)	2 411	(15 477)
Other comprehensive loss for the period	-	-	(82)	-	(52)	(134)
Share-based payment expense	-	153	-	-	-	153
Transfer between reserves	-	-	-	(415)	415	-
Dividends *	-	-	-	-	(3 552)	(3 552)
Issue of shares	-	-	-	-	695	695
Audited Balance at 31 December 2018	221 956	2 033	34 281	(82 671)	53 376	228 975
Loss for the period	-	-	-	(26 775)	4 271	(22 504)
Other comprehensive loss for the period	-	-	(2 173)	-	(1 293)	(3 466)
Share-based payment expense	-	153	-	-	-	153
Transfer between reserves	-	(903)	-	903	-	-
Change in interest of subsidiary	-	-	-	(986)	478	(508)
Dividends	-	-	-	-	(4 794)	(4 794)
Issue of shares	-	-	-	-	12 104	12 104
Audited Balance at 30 June 2019	221 956	1 283	32 108	(109 529)	64 142	209 960
Change in accounting policy**	-	-	-	17 214	-	17 214
Loss for the period	-	-	-	(21 511)	(1 559)	(23 070)
Other comprehensive loss for the period	-	-	(711)	-	(325)	(1 036)
Dividends *	-	-	-	-	(5 862)	(5 862)
Change in interest of subsidiary***	-	-	-	-	137	137
Balance as at 31 December 2019	221 956	1 283	31 397	(113 826)	56 533	197 343
Note						

* Dividends were declared by the Subsidiaries of the Group amounting to R5.8 million (FY2019: R3.6 million).

** Change in accounting policy – refer to note 2 & note 5.

*** The amount relates to shares that have been sold to doctors in the Doctors Investment companies.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated results for the period ended 31 December 2019 have been prepared in accordance with the requirements of the JSE Listing Requirements for interim reports, the requirements of Companies Act applicable to summary financial statements and the requirements of IAS 34: Interim Financial Reporting as well as the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the preparation of the unaudited condensed consolidated results for the period are in terms of IFRS and are materially consistent with the accounting policies applied in the preparation of the previous unaudited condensed consolidated results for the period except for the mandatory adoption of IFRS 16 Leases effective 1 January 2019. Please refer to the implementation of IFRS 16 below for further information.

The unaudited condensed consolidated interim financial statements are presented in South African Rand, which is the functional and presentation currency.

There are no significant reportable matters arising since the end of the period under review.

The unaudited condensed consolidated results for the period ended 31 December 2019 have been prepared under the supervision of M Castelyn in her capacity as Acting Chief Financial Officer.

The results were approved by the board of directors on 25 February 2020 and have not been reviewed or audited by the Group's external auditors Mazars.

2. Implementation of IFRS 16

IFRS 16 Leases was adopted using the modified retrospective approach with the date of initial application being 1 July 2019. Comparative figures were not restated with the cumulative effect of initially applying the standard instead recognised at the date of initial application as an adjustment to opening accumulated loss. The adjustment to accumulated loss amounts to R17.2 million which relates to the reversal of the operating lease assets and liabilities and the deferred tax thereof recognised as at 30 June 2019.

Advanced recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 July 2019. The incremental borrowing rate applied to the lease liabilities on 1 July 2019 ranges from 5.00% to 12.25% (dependent on geographical location). At the date of initial application, the right of use assets were measured at an amount equal to the remaining lease liabilities.

In applying IFRS 16 for the first time, Advanced has used the following practical expedients permitted by the standard:

- Not reassessed whether a contract is or contains a lease at the date of initial application. For contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease.
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics (taking into account geographical location).
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Impact on the statement of financial position as at 31 December 2019

	R'000
Assets	
Right-of-use assets – cost	515 468
Right of use assets – accumulated depreciation	(17 966)
Total assets	497 502

Right of use assets were measured at the carrying value that would have resulted from IFRS 16 being applied, from the date of initial application.

Liabilities	
Lease liability – NCL * (previously treated as operating lease – IAS 17)	506 128
Lease liability – CL ** (previously treated as operating lease – IAS 17)	10 368
Lease liability – NCL * (previously treated as finance lease – IAS 17)	10 703
Lease liability - CL ** (previously treated as finance lease – IAS 17)	5 394
Total lease liabilities	532 593

*Lease liabilities were measured at the present value of the remaining lease payments discounted at the applicable borrowing rates in the different geographical location. The incremental borrowing rate is the **rate of interest** that a lessee would have to pay to **borrow** over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use of asset in a similar economic environment.*

*NCL is Non-Current Liability

** CL is Current Liability

3. SEGMENTAL REPORTING

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segment and to assess its performance. The segments are based on the geographical location with corporate only relating to Advanced “the company”.

	Pre - adjusted Six months 31 Dec 2019	Unaudited Six months Dec-19	Unaudited Six months Dec-18	Audited Year ended June-19
	R'000	R'000	R'000	R'000
REVENUE	265 466	265 466	244 079	481 677
South Africa	95 931	95 931	78 386	162 237
Australia	169 535	169 535	165 693	319 440
INTEREST INCOME	411	411	219	901
South Africa	195	195	118	516
Australia	216	216	101	385
INTEREST EXPENSE	11 613	35 821	9 048	16 370
South Africa	9 717	28 767	7 182	12 784
Australia	1 681	6 839	1 538	2 990
Corporate	215	215	328	596
DEPRECIATION & AMORTISATION	16 824	34 978	17 131	34 477
South Africa	10 039	19 922	9 517	19 888
Australia	6 478	14 749	7 310	13 986
Corporate	307	307	304	603
LOSS FOR THE PERIOD	(9 345)	(23 070)	(15 477)	(37 981)
South Africa	(21 137)	(31 770)	(23 584)	(45 984)
Australia	13 353	10 261	8 344	9 907
Corporate	(1 561)	(1 561)	(237)	(1 904)
SEGMENT ASSETS	523 963	1 015 951	518 442	531 199
South Africa	281 906	574 279	269 298	280 853
Australia	232 976	432 591	239 166	241 194
Corporate	9 081	9 081	9 978	9 152
SEGMENT LIABILITIES	330 176	818 608	289 467	321 239
South Africa	246 152	531 967	188 766	221 166
Australia	79 837	282 454	92 321	94 439
Corporate	4 187	4 187	8 380	5 634

The revenue from external parties and all other items of income, expenses, profits and losses reported in the segment report are measured in a manner consistent with that in the statement of comprehensive income.

4. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred costs amounting to R11.1 million for the capital expenditure, a total of R1.6 million was incurred in Australia whilst R9.5 million related to South Africa with the bulk relating to Harbour Bay Surgical Centre in Simonstown where R5.0 million was spent. Depreciation was higher for the six months under review due to higher capital expenditure and the adoption of IFRS 16.

5. OPERATING LEASE ASSETS AND LIABILITIES

The adjustment to accumulated loss amounting to R17.2 million relates to the reversal of the operating lease assets and liabilities recognised as at 30 June 2019 and the deferred tax thereof. This reversal is due to the implementation of IFRS 16.

6. DEFERRED TAX

Deferred tax increased during the period under review, due to the increase in assessed losses incurred by the Group for the six months. There was also a deferred tax effect relating to the reversal of the operating leases amounting to R6.7 million, decreasing the deferred tax asset.

7. TRADE AND OTHER RECEIVABLES

Trade and other receivables decreased both in South Africa and Australia when compared to the year ended 30 June 2019. Debtors days have always been below 30 and the Group continuously strives to improve on the collections. However, due to the seasonality of the business during December, the revenue was low for the month of December 2019.

8. CASH AND CASH EQUIVALENTS

There has been an increase in cash and cash equivalent compared to the year ended 30 June 2019. The Group has engaged less in investing activities and more emphasis was placed on cash generated from operations. Cash generated from operations has also been boosted by the fact that rental paid, amounting to R23.3 million is now being treated as a financing activity, unlike before when it was treated as an operating activity. Nevertheless, cash generated from operations still remains positive. Advanced Health South Africa obtained an overdraft facility amounting to R15.0 million in December 2019 – as at 31 December 2019 an amount of R3.8 million had been utilised. The amount utilised for Presmed Australia's overdraft facility amounted to R2.5 million as at 31 December 2019.

9. OTHER FINANCIAL LIABILITIES

The movements in the current and non-current other financial liabilities are due to:

- Loans advanced from Eenhede Konsultante amounting to R20,5 million for South Africa.
- ABSA repayments in South Africa amounting to R5,5 million for the six months under review.

The additional loans obtained from Eenhede Konsultante and ABSA also had an impact on the increase in finance costs.

10. LEASE OBLIGATIONS

No additional leases were obtained within the six months under review. An amount of R3.4 million was repaid.

11. TRADE AND OTHER PAYABLES

Trade and other payables decreased compared to the year ended 30 June 2019. This is mainly due to decrease in capital expenditure.

12. RELATED PARTIES

During the six months ended 31 December 2019, certain subsidiaries, in the ordinary course of business, entered into loans and transactions with related parties under terms that are no less favourable than those arranged with third parties.

13. REVENUE AND COST OF SALES

The increase in revenue is due to an increase in patient numbers by 14%. Revenue increased by 9% from R244.1 million to R265.5 million in the period under review.

Gross profit percentage improved by 2% from 53% to 54% and this is due to the change in case mix.

14. EBITDA

Positive EBITDA of R38.2 million for the six months period under review. A marked improvement from both the comparative period and the last published results, due to the adoption of IFRS 16 and the implementation of better cost controls. The impact of IFRS 16 amounted to R23.3 million. Excluding the IFRS 16 impact, EBITDA for the Group improved to R14.9 million (FY2019: R4.6 million).

15. LOSS AFTER TAXATION

The Group incurred a loss amounting to R23.1 million (FY2019: R15.5 million) for the six months under review. The adoption of IFRS 16 had a negative effect on the results reported for the six months period. The impact of IFRS 16 amounted to R13.8 million. Excluding the IFRS 16 impact, the loss incurred by the Group amounted to R9.3 million which is a 40% improvement in losses from the comparative period.

EXCHANGE RATES

The following exchange rates were used in foreign interest and foreign transactions during the periods:

Rand/Australian Dollar	31 Dec 2019	31 Dec 2018	30 Jun 2019
Closing rate	9.8269	10.1374	9.8912
Average rate	10.0554	10.2669	10.14814

INVESTOR PRESENTATION

There will be an investor presentation on 27 February 2020 and the presentation will be available on the Advanced website, hosted at www.advancedhealth.co.za.

COMMENTARY

BACKGROUND ON DAY HOSPITAL INDUSTRY

Advanced is establishing itself as a leader in day surgery across South Africa and Australia. Private healthcare is currently in a very exciting stage of development, and Advanced is positioning itself within the existing healthcare system, filling a gap in the market for day surgery.

In Australia, the day hospital industry remains a strong and viable business sector in the healthcare system, with over 40% of the Australian population having private healthcare cover. Day hospitals remain the competitive option for private patients compared to overnight hospitals, with Presmed positioning itself well in this industry.

In South Africa, Medical schemes are aligning themselves to the day hospital model and we are gradually seeing traction in them directing surgical procedures towards day hospitals as an alternative, more cost-effective option. The Discovery Health Medical Scheme as of 2019, has introduced the Discovery Day Surgery Network. Advanced group of hospitals is part of this network and this is viewed as a channel to increase patient numbers going forward.

FINANCIAL RESULTS

The Advanced group remained in a loss-making position.

The Australian operations have performed better than last year's comparative period, being 2% up on patient surgery numbers and 2% up on revenue. The main focus has been on cost controls, efficiencies and good cash collections resulting in a 23% increase in profits compared to December 2018. Profits were slightly impacted by the adoption of IFRS 16, by an amount of R3.1 million.

South African operations continued incurring losses but nevertheless revenue increased by 22% whilst patient numbers increased by 24%. Losses for the South African operations increased by 35% when compared to December 2018. Excluding IFRS 16 impact, losses for the South African operations after tax, improved by 11% to R21.1 million (FY2019: R23.6 million). The impact of IFRS 16 amounts to an increase in losses after tax of R10.7 million relating to South African operations.

OVERVIEW

Australia

The Presmed Australia group produced a financially strong six-month financial result at all its facilities, supporting the strategy and direction that Management has implemented. In line with this, the Presmed Board made a strategic minor investment in a well-established and profitable day hospital facility, which further increased the Group's foothold in this industry.

Presmed continues to be recognised as a key player within the industry, maintaining its position as setting premium standards within the day hospital market, through the successful introduction of an In-House Ophthalmic Nurse Program, the Ophthalmologist Registrar Training Program, affiliation with the University of Sydney as a Teaching Hospital group and the retention of Chatswood Private Hospital as the only Australian private hospital member of the World Association of Eye Hospitals.

South Africa

Management continues its focus on marketing strategies aimed at growing patient numbers and increasing earnings. Regardless of the losses incurred during the reporting period, there has been a notable increase in patient numbers. Harbour Bay Surgical Centre in Simonstown started operating on 17 January 2020. Capital expenditure to the value of R5.0 million has been incurred to this effect.

DIVIDEND DECLARATION

No dividend is proposed or recommended for the six-month period ended 31 December 2019.

APPOINTMENT OF NEW CHIEF FINANCIAL OFFICER

Ms Sinenhlanhla Gloria Chonco was appointed in the capacity of Chief Financial Officer, with effect from 1 February 2020.

PROSPECTS

Advanced is firmly on track to achieve its aim of growing its footprint of independent, quality and cost-effective day-hospitals, to the benefit of patients, doctors and medical schemes.

In South Africa the Group will focus on achieving stability in all facilities and ensuring they become profitable.

Whilst concurrently focussing on the current business entities, the Australian operation's core strategy is to grow and increase its portfolio in the Day Hospital industry in Australia through investing in and/or acquisition of profitable day hospitals.

On behalf of the board

CA Grillenberger
Chairman
25 February 2020

GJ van Emmenis
Chief Executive Officer

M Castelyn
Acting Chief Financial Officer

CORPORATE INFORMATION

Advanced Health Limited
(Incorporated in the Republic of South Africa)
Registration number: 2013/059246/06
ISIN: ZAE000189049 JSE Code: AVL

Registered Address:
Building 3, Walker Creek Office Park
90 Florence Ribeiro Avenue
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0002
Postnet Suite 668, Private Bag X1
The Willows, 0041

Executive directors

GJ van Emmenis (Chief Executive Officer)
MC Resnik# (Chief Operational Officer Australia)
D Goss-Ross (Alternate)
S Chonco (Chief Financial Officer)

Non-Executive Directors

FA van Hoogstraten (Lead Independent)
CA Grillenberger (Chairman)
PJ Jaffe #
CJPG van Zyl
Dr WT Mthembu
Dr J Oelofse
YJ Visser
K Legodi (appointed 27 November 2019)

Australian

Company Secretary: M Janse van Rensburg
Auditors: Mazars
Transfer Secretaries: Link Market Services Proprietary Limited

Date of announcement: 27 February 2020

Designated Advisor
Grindrod Bank Limited

