

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")



CONDENSED UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2023 AND DIVIDEND DECLARATION AND CHANGES TO THE BOARD OF DIRECTORS

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 2023.

The Company's primary objective is to generate returns for its shareholders through specific and targeted investments in the healthcare, and related verticals as well as in the healthcare related financial services sectors. The Company achieves this through making equity and quasi-equity 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 initially listed on the Johannesburg Stock Exchange ("JSE") on 12 July 2017, followed by a secondary listing on the Rwanda Stock Exchange ("RSE") on 1 June 2020.

FINANCIAL OVERVIEW

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

- Investment income increased by 229% when compared to the prior period, from R17 million to R56 million;
- Total income after tax increased by 248% when compared to the prior period, from R5,3 million to R18,4 million;
- Net asset value and tangible net asset value per share decreased by 2% when compared to prior period from R14,06 down to R13,76;
- Net asset value decreased by 2% when compared to the prior period, from R909 million to R890 million;
- Basic earnings per share and headline earnings per share increased by 248% when compared to the prior period, from 8,19 cents to 28,52 cents; and
- The Board approved and declared a gross dividend on "A" ordinary shares of ZAR 31 cents per "A" share, record date Thursday, 14 December 2023. The total dividend declared amounted to R20 million (prior period nil).

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 R19,2 million (Prior period: R7,7 million). The investments were deployed as follows –

- Investments in RHBO – R19,1 million
- Investments in RHFS – R147 076

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 28 November 2023.

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 2023

	Notes	Aug-23 Unaudited R	Aug-22 Unaudited R	Feb-23 Audited R
Assets				
Non-current assets				
Financial assets at fair value through profit or loss	4.1	887 089 808	844 649 898	816 444 756
Loans to group companies	4.2	46 145 673	38 015 625	47 305 206
Property, plant and equipment	4.14	1 867 485	2 732 808	2 315 903
		<u>935 102 966</u>	<u>885 398 331</u>	<u>866 065 865</u>
Current assets				
Financial assets at fair value through profit or loss – Held for sale	4.1	-	101 399 999	14 000 000
Loans to group companies	4.2	6 626 730	2 615 872	911 380
Other receivables	4.8	8 721 416	910 537	575 766
Cash and cash equivalents	4.7	111 126 064	42 206 217	151 930 126
		<u>126 474 210</u>	<u>147 132 625</u>	<u>167 417 272</u>
Total assets		<u>1 061 577 176</u>	<u>1 032 530 956</u>	<u>1 033 483 137</u>
Equity and Liabilities				
Equity				
Stated capital	4.10	633 589 672	633 589 672	633 589 672
Retained income		256 603 223	275 668 246	238 154 032
Total equity		<u>890 192 895</u>	<u>909 257 918</u>	<u>871 743 704</u>
Non-current liabilities				
Lease liabilities	4.14	1 017 962	1 881 479	1 458 708
Financial liability	4.16	90 000 000	50 000 000	-
Deferred tax	4.12	63 935 924	68 887 437	56 400 257
		<u>154 953 886</u>	<u>120 768 916</u>	<u>57 858 965</u>
Current liabilities				
Other payables	4.9	1 951 878	819 063	560 606
Lease liabilities	4.13	863 850	761 501	811 329
Financial Liability	4.16	13 614 667	923 558	102 508 533
		<u>16 430 395</u>	<u>2 504 122</u>	<u>103 880 468</u>
Total liabilities		<u>171 384 281</u>	<u>123 273 038</u>	<u>161 739 433</u>
Total equity and liabilities		<u>1 061 577 176</u>	<u>1 032 530 956</u>	<u>1 033 483 137</u>

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 AUGUST 2023

	Notes	Aug-23 Unaudited R	Aug-22 Unaudited R	Feb-23 Audited R
Investment income				
Gains/(Losses) from financial assets at fair value through profit or loss	4.3	45 193 471	9 977 458	(55 623 405)
Interest income	4.4	8 122 453	3 099 736	7 427 288
Dividend income	4.5	2 844 498	4 000 000	28 126 826
Total investment income/(losses)		56 160 422	17 077 194	(20 069 291)
Other income	4.6	411 000	198 500	4 242 350
Interest expense	4.16	(10 503 334)	(923 558)	(7 032 925)
Professional fees		(2 929 284)	(3 042 863)	(216 183)
Management fees		(2 893 716)	(1 971 796)	(4 068 122)
Other operating expenses	4.17	(14 260 230)	(5 945 521)	(17 465 267)
Total expenses		(30 586 564)	(11 883 738)	(28 782 497)
Total income / (loss) before tax		25 984 858	5 391 956	(44 609 438)
Income tax	4.11	(7 535 667)	(90 582)	12 396 598
Total income / (loss) after tax		18 449 191	5 301 374	(32 212 840)
Other comprehensive income		-	-	-
Total comprehensive income/(loss)		18 449 191	5 301 374	(32 212 840)
Earnings per share information				
Basic and diluted earnings/(loss) per share (cents)		28,52	8,19	(49,80)
Diluted and headline earnings/(loss) per share (cents)		28,52	8,19	(49,80)
"A" Ordinary dividend per share (cents)		-	-	-

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 AUGUST 2023

	Stated capital	Retained income	Total
Balance as at 01 March 2022	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
Total comprehensive loss for the period	-	(37 514 214)	(37 514 214)
Balance as at 28 February 2023 (Audited)	633 589 672	238 154 032	871 743 704
Total comprehensive income for the period	-	18 449 191	18 449 191
Balance as at 31 August 2023 (Unaudited)	633 589 672	256 603 223	890 192 895

CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 AUGUST 2023

		Aug-23 Unaudited R	Aug-22 Unaudited R	Feb-23 Audited R
Cash (utilised in)/generated from operations	4.15	(10 764 086)	(5 586 189)	14 806 917
Finance costs paid	4.16	(9 397 200)		(4 524 392)
Income tax paid	4.11	-	-	-
Net cash (utilised in) /generated from operating activities		(20 161 286)	(5 586 189)	10 282 525
Cash flows from investing activities				
Increase in financial assets at fair value through profit or loss	4.1	(19 263 322)	(7 686 736)	(13 359 640)
Disposal of financial assets at fair value through profit or loss	4.1	-	-	61 500 000
Loans issued to group companies	4.2	(916 404)	(3 800 000)	(14 083 596)
Loans to group companies repaid	4.2	-	1 971 925	773 080
Purchase of Property, Plant and Equipment	4.14	-	(15 499)	(45 584)
Net cash (utilised) / generated in investing activities		(20 179 726)	(9 530 310)	34 784 260
Cash flows from financing activities				
Finance lease payments	4.13	(463 050)	(441 000)	(900 375)
Increase in financial liabilities	4.16	-	50 000 000	100 000 000
Net cash generated from/ (utilised in) financing activities		(463 050)	49 559 000	99 099 625
Net increase/ (decrease) in cash and cash equivalents		(40 804 062)	34 442 501	144 166 410
Cash and cash equivalents at the beginning of the period		151 930 126	7 763 716	7 763 716
Cash and cash equivalents at the end of the period	4.7	111 126 064	42 206 217	151 930 126

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 that financial assets at fair value through profit or loss are stated at their fair value. The results are presented in Rand which is the Company's functional and presentation currency. The current period for 31 August 2023 and the comparative period ended 31 August 2022 are unaudited, with the reference full period ending 28 February 2023 fully audited.

The accounting policies and methods of computation are consistent with those used in the compilation of the annual financial statements at 28 February 2023.

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.

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 ended 28 February 2023, Phelang Bonolo Healthcare Procurement and Management Proprietary Limited ("PBHPM"), a 49% associate held through the RHBO portfolio was classified as held for sale was sold for R14 million. During the current period R7 million was received with the remaining R7 million due to be received in December 2023. This has been classified as other receivables in the current period.

NEW ACQUISITIONS AND ADDITIONAL INVESTMENTS MADE

- The Company entered into a purchase agreement to acquire a 29% interest in Ambit Health Proprietary Limited for R1,075 million through its subsidiary RHBO in March 2023. Ambit Health operates as a pathology services company.
- On 31 May 2023 the Company through its subsidiary RHBO acquired 100% of MMED Distribution Services Proprietary Limited ("MMED") for a purchase price of R1. The Company further advanced a bridging loan of R4,8 million during the period ended 31 August 2023 to assist with operations. MMED is a pharmaceutical distributor with a warehousing, and distribution licenses across South Africa.
- RazoHealth Radiology (Pty) Ltd ("RazoHealth") is a new joint venture specialising in radiology related services that was established in July 2023 between a radiologist and RHBO. RHBO owns 60% of the Company.
- The Company advanced a R6 million loan to Rondebosch Medical Centre Proprietary Limited ("RMC") for working capital purposes through its subsidiary RHBO in March 2023 at an interest rate of 15% per annum.

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 offered in the purchase agreements, is regarded as the most accurate indication of fair value.

In the current period all unlisted investments were measured at fair value using the DCF model with the exception of Bonolo Healthcare Procurement and Management Proprietary Limited and LocumBase. PBHPM was based on the transaction price and LocumBase was based on the net asset value.

	Aug-23 Unaudited	Aug-22 Unaudited
Opening balance	830 444 756	921 999 472
Additions – acquired in cash	26 263 322	7 686 736
Disposals of investments	(14 000 000)	-
Fair value gains	44 381 730	16 363 689
Total	887 089 808	946 049 897

Additions include investments in unlisted equities for the current period in RHBO and 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 investment's portfolio.

Investments in unlisted equity instruments – reconciliation

Aug-23 **Unaudited**

Entity	Opening balance - Audited	Additions/disposal	Fair value changes	Closing balance
RHFS	9 288 060	147 076	(2 690 630)	6 744 506
RHBO*	821 156 696	12 116 246	47 072 360	880 345 302
	830 444 756	12 263 322	44 381 730	887 089 808

*The investment in PBHPM which is carried at a fair value of R7 million is held for sale and is classified as current in the statement of financial position.

Aug-22 **Unaudited**

Entity	Opening balance	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 valuation techniques applied to the valuation of each investment incorporates 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-23	Range used Aug-22
Capitalisation rate	10% to 12%	10,5% to 13,5%
TGR (Terminal Growth rate)	4,5% to 5%	4,5% to 6%
WACC (Weighted Average Cost of Capital)	17,1% to 21,5%	17% to 20%
EBITDA (Earnings before interest, tax, depreciation, and amortisation)	3% to 39%	15% to 16,5%
Market interest rate	10,25% to 13,25%	8% to 9,5%

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% to 12%	Decrease by 50 basis points will result in an increase in the value of investments.	Increase by 50 basis points will result in a decrease in the value of investments.
Terminal Growth rate	4,5% to 5%	Increase by 50 basis points will result in an increase in the value of investments.	Decrease by 50 basis points will result in a decrease in the value of investments.
WACC (range)	17,1% to 21,5%	Decrease by 50 basis points will result in an increase in the value of investment.	Increase by 50 basis points will result in a decrease in the value of investments at year-end.
EBITDA Using the five-year compounded annual growth rate on EBITDA	3% to 39%	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 (Applicable to group loans)	10,25% to 13,25%	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 2023 Unaudited		Aug 2022 Unaudited	
	Favourable changes	Favourable changes	Favourable changes	Unfavourable changes
Capitalisation rate	12 528 873	(11 429 783)	5 935 600	(8 315 453)
Terminal growth rate*	25 580 874	(23 808 852)	9 792 378	(5 141 858)
WACC	37 949 021	(35 257 579)	13 861 850	(14 423 280)
EBITDA	33 255 423	(33 289 442)	23 025 864	(784 539)
Total	109 314 191	(103 785 656)	52 615 692	(28 665 130)
Current fair value as at period end	894 089 808	894 089 808	946 049 897	946 049 897
Fair value after accounting for total effect of changes in inputs	1 003 403 999	790 304 152	998 665 589	917 384 767kk

* The sensitivity analysis relating to the terminal growth rate was applied on the combined terminal value for all investments of R746,5 million (prior year: R573 million). The terminal value range used in 2023 was between R7,6 million to R276 million.

4.1.1 Summary of significant investments

August 2023

Entity	Description	Economic interest	Fair value at year end (R)	Cost (R)	Proportion of net assets (R)**	WACC (Post-Tax)	Proportion of total investments	Income earned from investment (R)
Investments in subsidiaries*								
Africa Healthcare	Operates and owns hospitals	100%	329 500 000	122 500 000	60 445 476	18,38%	37%	-
Rondebosch Medical Centre	Hospital services	100%	205 202 187	143 700 000	(33 521 489)	19,44%	23%	-
Medicare Hospital	Hospital services and investment property	54%	207 013 534	123 500 000	133 670 645	17,27% 18,38%	24%	2 844 498

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

Fair values of unlisted financial instruments are disclosed as level 3 in the fair value hierarchy since they have unobservable inputs and the valuation requires greater judgement and estimation in determining appropriate valuation assumptions and obtaining relevant and reliable inputs. The unobservable inputs applied do however reflect the assumptions that a market participant would apply when determining the pricing for the same assets.

*The discounted cash flow method is used to derive the enterprise value of each investment using reasonable assumptions that are supported by external, third-party inputs where applicable. Such inputs include market yields on corporate bonds, economic growth estimates provided by the SA Reserve Bank and estimations of inflation rates over the investment horizon. In deriving the enterprise value, judgement is applied in estimating future post-taxation cash flows and the terminal value (free cash flows available to the Company), and then discounting to the present value by applying an appropriate risk-adjusted rate that captures the risk inherent to the Company's projected WACC.

**The net asset values of investee companies were obtained from unaudited financial statements.

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.

August 2023

Significant unobservable input		WACC		EBITDA		TGR	
Subsidiaries and Associates	Total fair value at year end	Favourable -50 bps	Unfavourable +50 bps	Favourable +250 bps	Unfavourable -250 bps	Favourable +50 bps	Unfavourable -50 bps
Subsidiaries							
Africa Healthcare	329 500 000	15 933 510	(14 800 967)	11 726 079	(11 726 079)	10 906 140	(10 147 968)
Medicare Private Hospital	205 202 187	6 955 693	(6 411 544)	7 535 120	(7 563 342)	4 852 883	(4 486 740)
Rondebosch Medical Centre Proprietary Limited	207 013 534	8 592 406	(8 036 342)	8 326 712	(8 326 712)	5 462 264	(5 116 551)

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.

Sensitivity analysis - Properties

Included in some the investment balances are amounts relating to properties that were acquired as part of the investee companies. The capitalisation rate used to value each property is a significant unobservable input. An increase in the capitalisation rate results in a decrease in fair value of the property and – by extension – the fair value of the investment. A decrease in the capitalisation rate results in an increase in fair value of the property and – by extension – the fair value of the investment.

The sensitivity analysis relating to the property component of each investment with a fair value that has as property element is as follows:

Investments with a property element	Total fair value at year end	Property value included in valuation	Residual	Capitalisation rate	Change in capitalisation rate	
					Unfavourable (-50 bps)	Favourable (+50 bps)
2023	(R)	(R)				
Africa Healthcare*	329 500 000	80 000 000	249 500 000	11% - 12%	3 763 975	(3 440 000)
Medicare Private Hospital	205 202 187	107 715 000	97 487 187	11%	5 129 286	(4 683 261)
Vryburg Private Hospital	36 387 253	24 300 000	12 087 253	11%	1 157 143	(1 056 522)
RH Bell Clinic	14 375 607	35 000 000	(20 624 393)	10%	1 842 105	(1 666 667)
Fauchard Clinic	14 375 607	14 000 000	375 607	11,50%	636 364	(583 333)

* African Healthcare consist of two properties, St Helena Property (R69 million with a capitalisation rate of 11%) and Fochville (R11 million with a capitalisation rate of 12%)

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

August 2023

RHBO Portfolio

	Opening balance (Audited Feb-23)	Investment/ (Disposal)	Fair value changes	Closing balance
Africa Healthcare	292 538 665	-	36 961 335	329 500 000
Rondebosch Medical Centre	224 325 090	6 000 000	(25 122 903)	205 202 187
Vryburg Investment Holding	35 630 585	-	756 668	36 387 253
Medicare Private Hospital	221 316 462	-	(14 302 928)	207 013 534
RH Bell Clinic	17 645 998	-	(3 529 198)	14 116 800
Fauchard Clinic	13 209 454	820 000	346 153	14 375 607
PBHPM	14 000 000	(7 000 000)	-	7 000 000
Locumbase	757 333	-	-	757 333
Dorama Investments	1	-	-	1
Ambit Health	-	1 075 000	6 925 000	8 000 000
MMED	-	4 776 903	31 292 422	36 069 325
RazoHealth	-	1	13 684 413	13 684 414
	819 423 588	5 671 904	47 010 961	872 106 452
Net Asset	1 733 109	13 444 344	61 399	15 238 850
	821 156 696	19 116 247	47 072 360	887 345 302

RHFS Portfolio

	Opening balance (Audited Feb-23)	Additional investment	Fair value changes	Closing balance
Wesmart Financial Services	9 291 812	133 324	(2 441 811)	6 983 324
Net Debt	(3 752)	13 752	(248 819)	(238 819)
	9 288 060	147 076	(2 690 630)	6 744 505

August 2022

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
	834 523 974	(1 000 000)	11 338 744	844 862 718
Net Asset	1 144 130	7 015 245	(5 284 302)	2 875 074
	835 668 104	6 015 245	6 054 442	847 737 791

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
	86 430 348	1 660 000	10 310 515	98 400 863
Net Debt	(98 980)	11 491	(1 268)	(88 757)
	86 331 368	1 671 491	10 309 247	98 312 106

4.2. Loans to group companies

	Aug-23	Aug-22
	Unaudited	Unaudited
Opening Balance	48 216 587	42 980 319
Additions	916 404	3 800 000
Repayments - Capital	-	(1 971 925)
Repayments - Interest	-	(528 075)
Interest accrued	2 827 671	2 737 408
Fair value adjustment	811 742	(6 386 230)
	52 772 404	40 631 497
Classification		
Current	6 626 730	2 615 872
Non-Current	46 145 673	38 015 625
	52 772 404	40 631 497

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 at 11,75%, prior period at 9,75%. The difference between the present value of the remaining cash flows (discounted at the market rate) and the cumulative balance on the loan accounts is a fair value adjustment for the period.

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

Explanation of key valuation inputs and possible impact of changes in inputs:

The Company has a financial assistance policy that governs the provision of financial assistance to group companies. A key input – the interest charged on the financial assistance – is dependent on the profile of each entity and is regarded as an unobservable input. This input is central to the valuation of the loans provided to group companies. As a result, any change to this and other unobservable input would affect the recognised value of the loans in the annual financial statements. To aid stakeholders understand the possible impact of a change in significant inputs that influence the valuation process for the loans to group companies, the Company has prepared a sensitivity analysis based on changes – both favourable and unfavourable – to the inputs.

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-Aug-23		31-Aug-22	
	Favourable changes (+)	Unfavourable changes (-)	Favourable changes (+)	Unfavourable changes (-)
Significant unobservable input				
Market interest rate (prime 11,75%)	510 923	(505 405)	531 480	(523 529)
Current fair value as at period end	52 772 403	52 772 403	40 631 497	40 631 497
Fair value after accounting for total effect of changes in inputs	53 283 326	52 266 998	41 162 977	40 107 968

The sensitivity analysis is computed using a change of 50 basis points for the current period and 50 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.

Aug 2023	Aug 2022
Unaudited	Unaudited
R	R

4.3. Gains/(losses) from financial assets at fair value through profit or loss

Fair value changes on unlisted equities	44 381 730	16 363 688
Fair value changes on group loans	811 742	(6 386 230)
	<u>45 193 472</u>	<u>9 977 458</u>

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

4.4. Interest Income

Interest income from the bank balances	5 294 783	362 328
Interest income from group loans	2 827 671	2 737 408
	<u>8 122 454</u>	<u>3 099 736</u>

Interest income was from loans with Africa Healthcare Proprietary Limited and Notamed Proprietary Limited.

4.5. Dividend income

RH Bophelo Operating Company	<u>2 844 498</u>	4 000 000
	<u>2 844 498</u>	<u>4 000 000</u>

4.6. Other Income

Professional fees recovered	342 000	-
Directors' fees income	69 000	198 500
	<u>411 000</u>	<u>198 500</u>

4.7. Cash and cash equivalents

Current account	3 876 114	21 812
Call account and short-term deposits	107 249 950	42 184 405
	<u>111 126 064</u>	<u>42 206 217</u>

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

4.8. Other Receivables

Other receivables*	7 923 597	351 609
VAT receivable	797 819	558 928
	<u>8 721 416</u>	<u>910 537</u>

* Other receivables include R7 million relating to an investment in PBHPM that has been disposed of in the current period for R14 million.

4.9. Other Payables

Accounts payable	<u>1 951 878</u>	<u>819 063</u>
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	Aug 2023	Aug 2022
	Unaudited	Unaudited
	R	R
4.10. 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>
Reconciliation of class B shares		
RH Bophelo Management Company Proprietary Limited	<u>1</u>	<u>1</u>
No dividend accrued to the B shares in the current period.		
4.11. Income tax expense		
Major components of income tax expense		
Deferred tax expense	<u>7 535 667</u>	<u>90 582</u>
Reconciliation between accounting profit and tax expense		
Profit before tax	<u>25 984 858</u>	<u>5 391 956</u>
Tax at the applicable tax rate of 27% (2022: 28%)	6 084 243	1 509 748
Tax effect of adjustments on taxable income:		
Non-deductible expenses	150 885	204 573
Exempt portion of capital gains	(2 254 114)	(558 738)
Exempt dividend income	(768 014)	(1 120 000)
Other adjustments	<u>(15 828)</u>	<u>(54 999)</u>
Effective income tax expense	<u>7 535 667</u>	<u>90 582</u>
4.12. Deferred tax		
The deferred tax liability comprises temporary differences on:		
Financial assets at fair value through profit or loss	(73 460 263)	(77 026 028)
Tax losses carried forward	9 418 268	8 033 389
Property, plant and equipment	27 372	24 202
Lease liability	<u>78 699</u>	<u>81 000</u>
	<u>(63 935 924)</u>	<u>(68 887 437)</u>
Reconciliation of movement in deferred tax liability		
Balance at the beginning of the period	(56 400 257)	(68 796 855)
Increase in fair value adjustments on financial assets at fair value through profit or loss	(13 354 951)	(2 234 950)
Increase in tax losses carried forward	5 815 868	2 112 525
Decrease/(increase) in temporary differences on property, plant and equipment	1 309	16 493
Increase in temporary differences on lease liability	(1 767)	11 333
Decrease in temporary differences on prepaid expenses	<u>3 874</u>	<u>4 017</u>
Balance at the end of the period	<u>(63 935 924)</u>	<u>(68 887 437)</u>

	Aug 2023	Aug 2022
	Unaudited	Unaudited
	R	R
4.13. 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	2 270 036	2 984 187
Interest accrued	74 826	99 793
Repayments	(463 050)	(441 000)
Balance at the end of the period	1 881 812	2 642 980
Non-current liabilities	1 017 962	1 881 479
Current liabilities	863 850	761 501
	1 881 812	2 642 980

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

-within one year	863 850	761 501
-in second to fifth year inclusive	1 017 962	1 881 479
	1 881 812	2 642 980

Reconciliation of minimum lease payments to lease liability

Due within one year	968 545	922 425
Due in year two to year five	1 058 548	2 026 708
Undiscounted lease payments	2 027 093	2 949 133
Future interest expense	(145 281)	(306 153)
Present value of minimum lease payments	1 881 812	2 642 980

4.14. Property, plant and equipment

Reconciliation of property, plant and equipment – August 2023

	Opening balance	Additions	Depreciation	Closing balance
Computer equipment	37 930	-	(7 597)	30 332
Furniture and fittings	305 957	-	(59 141)	246 817
Right-of-use asset - buildings*	1 972 016	-	(381 681)	1 590 336
	2 315 903	-	(448 419)	1 867 485

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
	3 600 438	15 499	(883 129)	2 732 808

*The right-of-use asset relates to the lease of office buildings for a period of 5 years at a monthly payment of R77 175 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 value of 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 2023 Unaudited R	Aug 2022 Unaudited R
4.15. Cash flows from operating activities			
Profit before tax		25 984 858	5 391 956
Non-cash items			
Interest unpaid on loans to group companies	4.2	(2 827 671)	(2 209 334)
Interest on financial liability	4.16	10 503 334	923 558
Gains from financial assets at fair value through profit or loss	4.3	(45 193 471)	(9 977 458)
Other non-cash items		523 245	542 101
Changes in working capital			
Increase in other receivables	4.8	(1 145 651)	(446 085)
Decrease in other payables	4.9	1 391 270	189 073
Cash utilised in operations		<u>(10 764 086)</u>	<u>(5 586 189)</u>

4.16. Financial Liability

Balance at the beginning of the period		102 508 533	-
Additions		-	50 000 000
Interest accrued		10 503 334	923 558
Interest paid		(9 397 200)	
Balance at the end of the period		<u>103 614 667</u>	<u>50 923 558</u>
Classification			
Current		13 614 667	923 558
Non-Current		90 000 000	50 000 000
		<u>103 614 667</u>	<u>50 923 558</u>

In line with the Company's commitment towards a capital structure that includes equity and debt financing, the Company has secured a long-term debt facility 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.

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

4.17. Other operating expenses

		Aug 2023 Unaudited R	Aug 2022 Unaudited R
Other operating expenses include the following:			
Remuneration – Non-executive directors		1 120 000	892 500
Audit fees		2 479 044	3 036 680
Remuneration - Executive directors		7 244 442	2 014 566
Recruitment fees		675 000	-
Secretarial fees		806 197	625 287
Depreciation		<u>448 413</u>	<u>442 307</u>

	Aug 2023	Aug 2022
	Unaudited	Unaudited
	R	R
4.18. Related Parties		
Related party balances and transactions		
Loan accounts - Owing by related parties		
Africa Healthcare	6 626 730	6 196 053
Notamed	46 145 673	34 435 444
	<u>52 772 403</u>	<u>40 631 497</u>
Amounts included in other receivables due to related parties		
Rondebosch Medical Centre	616 400	270 250
Genric Insurance	-	60 500
Africa Healthcare	87 400	-
Medicare Hospital	87 400	-
RH Bell Clinic	65 550	-
Vryburg Private Hospital	65 550	-
	<u>922 300</u>	<u>330 750</u>
Related party transactions with impact on the statement of profit or loss		
Interest from related parties		
Africa Healthcare	472 861	528 075
Notamed Proprietary Limited	2 354 810	2 209 333
	<u>2 827 671</u>	<u>2 737 408</u>
Dividends and Other income from related parties		
RH Bophelo Operating Company	2 844 498	4 000 000
Genric Insurance	-	60 500
Rondebosch Medical Centre	145 000	138 000
Africa Healthcare	76 000	-
Medicare Hospital	76 000	-
RH Bell Clinic	57 000	-
Vryburg Private Hospital	57 000	-
	<u>3 255 498</u>	<u>4 198 500</u>
Management fees paid to related parties		
RH Bophelo Management Company*	2 893 716	1 971 796
	<u>2 893 716</u>	<u>1 971 796</u>
Rent paid to related parties		
RH Managers	463 050	441 000
	<u>463 050</u>	<u>441 000</u>
Professional fees to related parties		
RH Managers**	2 750 000	-
	<u>2 750 000</u>	<u>-</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 plus fees for additional services, with an adjustment of average share price for the period.

**The fees were paid for services provided by RH managers to support the investee companies to raise capital and improve the underlying performance.

4.19. Stated Capital

The Company's authorised stated capital is 10 000 000 000 "A" no par value ordinary shares with voting rights. (2022: 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. (2022: 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 "B" share did not accrue value for the current period.

The total number of "A" ordinary shares in issue as at 31 August 2023 is 64 691 298 (31 August 2022: 64 691 298).

The net asset value and tangible net asset value per share for the current period of R13,76 (Prior period: R14,05), was calculated using a total number of issued shares of 64 691 298 (Prior period: 64 691 298).

4.20. Basic Earnings, Diluted Earnings and Headline and Diluted Headline Earnings Per Share

Basic earnings per share

The calculation of basic earnings per ordinary share is based on earnings of R18 449 191 (2022: earnings R5 301 374) and a weighted average number of shares in issue of 64 691 298 (2022: 64 691 298). The basic earnings per share is 28,5 cents (2022: 8,2 cents).

Diluted earnings per share

The Company has no dilutive instruments and as a result, the calculation of diluted headline earnings per ordinary share is based on diluted headline earnings of R18 449 191 (2022: earnings R5 301 374) and a weighted average number of shares in issue of 64 691 298 (2022: 64 691 298). The diluted headline earnings per share are 28,5 cents (2022: 8,2 cents).

Headline earnings per share

The calculation of headline earnings per ordinary share is based on headline earnings R18 449 191 (2022: earnings R5 301 374) and a weighted average number of shares in issue of 64 691 298 (2022: 64 691 298). The basic and headline earnings per share 28,5 cents (2022: 8,2 cents).

Diluted headline earnings per share

The Company has no dilutive instruments and as a result, the calculation of diluted headline earnings per ordinary share is based on diluted headline earnings R18 449 191 (2022: earnings R5 301 374) and a weighted average number of shares in issue of 64 691 298 (2022: 64 691 298). The diluted headline earnings per share are 28,5 cents (2022: 8,2 cents).

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 2023 is as follows:

Segment information	Healthcare Segment	Financial Services Segment	Total
2023			
Gains/(losses) from financial instruments at fair value through profit or loss	47 884 102	(2 690 630)	41 742 848
Interest income	2 827 671	-	2 827 671
Dividend income	2 844 498	-	2 844 498
Segment investment income	53 556 270	(2 690 630)	50 865 640
Segment other income	411 000	-	411 000
Segment income	53 967 270	(2 690 630)	51 276 640
Total segment net income	53 967 270	(2 690 630)	51 276 640

Segment assets			
Investments at fair value through profit or loss	887 345 302	6 744 505	894 089 808
Loans to group companies	52 772 403	-	52 772 403
Total segment assets	940 117 705	6 744 505	946 862 211

Segment information	Healthcare Segment	Financial Services Segment	Total
2022			
Gains from financial instruments at fair value through profit or loss	(331 789)	10 309 247	9 977 458
Interest income	4 000 000	-	4 000 000
Dividend income	2 737 408	-	2 737 408
Segment investment income	6 405 619	10 309 247	16 714 866
Segment other income	138 000	60 500	198 500
Segment income	6 543 619	10 369 747	16 913 366
Total segment net income	6 543 619	10 369 747	16 913 366

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	98 312 106	986 681 394

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

	Aug 2023 Unaudited	Aug 2022 Unaudited
Segment investment income	50 865 639	16 714 867
Interest income	5 294 783	362 327
Total investment income	56 160 422	17 077 194
Segment other income	411 000	198 500
Total Expenses	(30 586 564)	(11 883 738)
Total income before tax	25 984 858	5 391 956

Reportable segment assets are reconciled to total assets as follows:

Segment assets for reportable segments	946 862 211	986 681 394
Other non-current assets	1 867 485	2 732 808
Other current assets	112 847 480	43 116 754
Total assets	1 061 577 176	1 032 530 956
Liabilities	171 384 271	123 273 038
Total liabilities	171 384 271	123 273 038

4.22. Going Concern

In accordance with the solvency and liquidity test set out in section 4 of the Companies Act, the Board is of the opinion that, after making enquiries, it has a reasonable expectation that the Company has sufficient resources to maintain its operational existence for the foreseeable future and that:

- The Company's assets fairly valued exceed its liabilities fairly valued.
- The Company maintains a strong net asset value position of R890 192 895 (prior period: R909 257 918) and a net current asset position of R116 043 816 (prior period: R142 904 606).
- The Company will be able to pay its debts as they become due in the ordinary course of business for the next 12 months.
- The Audit and Risk Committee considered the Company's going concern status in light of the new capital structure which includes debt financing.
- The recalculation of the debt covenants for this period, has resulted in all the debt covenants being met, including the ones that were in breach at year end.
- The Company continues to maintain strong cash reserves.

In addition to this assessment, the Directors have undertaken these additional steps and considered the following key factors in its assessment of the Company's status as a going concern:

- The Board – through the Audit and Risk Committee – 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. This review involved the interrogation of key estimations and projects underpinning the valuation of the Company's listed and unlisted investments. The Committee has indicated to the Board that the processes and methodologies applied in the valuation process are adequate to be used as the basis for the Company's going concern assessment.
- The Ukraine and Russia war impacted the global economy in a manner that resulted in increased inflation across the globe and an escalating cost-of-living crisis. For South Africa, the events escalated an already fragile economic outlook and the increase in fuel prices in particular, dimmed the outlook for the local economy.
- The continuous escalation of loadshedding throughout the country remains a significant operational risk for the Company at large as continuous disruptions impact all of the Company's facilities. In order to address this risk, the Directors have approved a plan to provide all the Company's facilities with alternative energy solutions which will be rolled out throughout the course of the 2023/24 years.
- The Committee has considered the ongoing impacts of these macro-economic fundamentals and is satisfied that their impact has been adequately incorporated into the Company's valuation methodology.
- Having assessed the variables and scenarios relating to external factors in addition to internal projections and cash flow forecasts, and the Company's ongoing negotiations relating to lender covenants, the directors have concluded that the going concern assumption remains the appropriate basis for preparing the financial statements of the Company.

After the detailed review by the Board on the going concern capability of the Company with reference to certain assumptions and plans underlying various internal cash flow forecasts. Having assessed the variables and scenarios relating to the micro and macro impacts 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 lenders covenants required to date.

4.23. Events after the reporting period

The directors are not aware of any events since the end of the financial reporting period on 31 August 2023, that would materially impact the amounts or disclosures in these interim financial results.

4.24. Director changes

Changes during the current period:

As announced on SENS on 14 August 2023, Mr L Maseko, Dr K Ntshwana and Mr J Oliphant resigned as non-executive directors and Ms V Nomvalo resigned as Executive Director effective 11 August 2023.

Mrs F Makwetla and Mr R Makhubela were appointed as Directors and members of the Audit and Risk Committee effective from 11 August 2023.

Mr S Moraba was appointed as an Independent Non-Executive Chairman of the Board on 11 August 2023.

Mrs F Makwetla was appointed as the Chairperson of the Remuneration Committee on 11 August 2023.

Mr R Makhubela was appointed as the Chairperson of the Investment Committee on 11 August 2023.

Ms B Segooa was appointed as the Chairperson of the Audit and Risk Committee on 11 August 2023.

Shareholders are hereby informed of the resignation of Mr Katekani Dion Mhlaba as Executive Director and Chief Financial Officer of the Company effective 1 December 2023. The Board would like to extend its appreciation for his commitment and service to the Company over the years.

Additionally, shareholders are hereby informed of the appointment of Ms Aviwe Yondie Metu as Executive Director and Chief Financial Officer effective 1 December 2023. Ms Metu has a Bachelor of Accounting and Honors in Accounting from the University of Kwa-Zulu Natal. She is a qualified Chartered Accountant with 17 years working experience. She has worked on various executive-level financial leadership capacities for multiple companies in reporting, continually revamping and improving processes and internal controls to achieve dynamic results. She has held multiple senior Board memberships, including a non-executive director of Combined Motor Holdings Limited, which is listed on the Johannesburg Stock Exchange.

4.25. Dividends

Shareholders are hereby advised that the board of directors of RH Bophelo has approved and declared an interim gross cash dividend of 31 cents per "A" ordinary share, from income reserves, for the six months ended 31 August 2023.

The dividend is subject to a South African dividend withholding tax rate of 20%, resulting in a net dividend of 24,8 cents per "A" ordinary share, unless the shareholder is exempt from paying dividend tax.

As at the date of this announcement, the Company has 64 691 298 "A" ordinary shares of no par value in issue and ranking for dividend at the date of this declaration.

The Company's income tax reference number is 9729/758/160.

4.26. Salient dates and times

Shareholders are hereby advised of the following salient dates and times for the payment of the dividend:

Declaration date: Tuesday, 28 November 2023

Last day to trade cum dividend: Monday, 11 December 2023

Securities commence trading ex dividend: Tuesday, 12 December 2023

Record date for purposes of determining the registered holders of "A" ordinary shares to participate in the dividend at close of business on Thursday, 14 December 2023

Payment date: Monday, 18 December 2023

Share certificates may not dematerialised or rematerialised between Tuesday, 12 December 2023 and Thursday, 14 December 2023, both dates inclusive.

On behalf of the Board

Mr Quinton Zunga
CEO

Mr Dion Mhlaba
CFO

Johannesburg
28 November 2023

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KD Mhlaba (Chief Financial Officer)
C Clarke (Executive Director)
S Moraba (Independent Non-Executive Chairman)
Dr PD Sekete (Non-Executive Director)
B Segooa (Independent Non-Executive Director)
F Makwetla (Non-Executive Director)
R Makhubela (Independent Non-Executive Director)

Company Secretary

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